PERFORMANCE REPORT

Independent
advice for
the institutional
investor

Ventura County
Employees'
Retirement
Association

Second Quarter 2006

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CONTENTS

Ennis Knupp + Associates calculates rates of return for each investment manager quarterly. Occasionally discrepancies arise between returns computed by the managers and those calculated by Ennis Knupp + Associates due to differences in computational procedures, securities pricing services, etc. We monitor these discrepancies closely and find that they generally do not tend to persist over time. If a material discrepancy does persist, we will bring the matter to your attention. A description of the policy portfolios and fund universes used throughout this report appears in Appendix II. All rates of return contained in this report for time periods greater than one year are annualized. Returns are calculated net of fees and expenses.

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HIGHLIGHTS

Second Quarter 2006

- The Russell 3000 Index lost 2.0% during the second quarter as the broad U.S. equity market declined as economic growth began to slow to a more moderate pace. Technology and materials were the worst performing sectors, declining 8.1% and 4.0%, respectively. The transportation and energy sectors continued to perform well, gaining 3.7% and 3.6%, respectively. During the quarter, large-cap stocks outperformed small-cap stocks and value outperformed growth.

- Non-U.S. stocks, as measured by the MSCI All Country World ex-U.S. Index, also experienced a slowdown -- finishing flat for the quarter. Slower economic growth in developed markets, along with a tighter global monetary policy, hurt all international equity markets. These factors also affected emerging markets, which ended their run of stellar performance with a decline in the MSCI Emerging Markets Index of 4.3% during the quarter.

- The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, declined 0.1% during the quarter. Most sectors within the Index were flat for the quarter with the exception of corporates, which declined 0.4%, and asset-backed securities, which gained 0.4%. All U.S. Treasury yields rose, ending the quarter with a slightly inverted yield curve.

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter	Year-to-Date	1 Year Ending 6/30/06	3 Years Ending 6/30/06
Russell 3000 Index	-2.0%	3.2%	9.6%	12.6%
MSCI All-Country World Ex-U.S. Index	-0.0	9.7	27.9	25.3
LB Aggregate Bond Index	-0.1	-0.7	-0.8	2.1

Asset Growth

- VCERA's Total Fund decreased by $57.4 million during the quarter. The asset loss is attributable to investment losses of $26.2 million and withdrawals during the quarter of $31.2 million.

Market Value (millions) at 3/31/06	$2,678.9
Income/Appreciation	(26.2)
Net Contributions/Withdrawals	(31.2)
Market Value (millions) at 6/30/06	$2,621.5

Second Quarter 2006

Asset Allocation

- The table below highlights VCERA's current investment allocations relative to its policy. As of June 30, 2006, VCERA was slightly overweight to real estate, global equity, and U.S. equity investments. A corresponding underweight was experienced within the Fund's fixed income and non-U.S. equity portfolios. As of quarter-end, the portfolio was in compliance with the Investment Policy Statement's rebalancing policy.

- In June approximately $30 million was transferred from the non-U.S. equity asset class and $25 million was transferred from the fixed income asset class with $20.5 million going to the U.S. equity asset class and $25 million going to the real estate asset class.

ACTUAL VS. CURRENT POLICY

	Actual Allocation	Policy Allocation	Difference
U.S. Equity	47.1%	47.0%	+0.1%
Non U.S. Equity	13.9	14.0	-0.1
Global Equity	4.4	4.0	+0.4
U.S. Fixed Income	27.6	29.0	-1.4
Real Estate	7.1	6.0	+1.1

Total Investments

- The table on the following page highlights VCERA's total portfolio return for the quarter, as well as the returns for each of the individual asset class components within the Total Fund. During the second quarter, the Total Fund declined 1.0% and trailed the return of the benchmark by 0.3 percentage points. The relative underperformance of the U.S. and non-U.S. equity asset classes were the main reason for the lag in the Total Fund's performance.

- The total U.S. equity portfolio declined 2.3% and underperformed the Russell 3000 index by 0.3 percentage points. Delta detracted the most relative value from the asset class' performance during the quarter, underperforming its benchmark by 80 basis points. Wasatch also trailed its benchmark by 80 basis points, but due to its lesser allocation did not contribute as much to the asset class's relative performance. Within the non-U.S. equity portfolio, both Capital Guardian and Sprucegrove underperformed their respective benchmarks. The global equity portfolio added relative value during the second quarter due to the strong performance of the Wellington account which returned 0.2 percentage points during the quarter. The fixed income portfolio equaled its benchmark during the second quarter and was greatly aided by the performance of the Reams portfolio, which offset the poor relative performance of Loomis Sayles and Western. The total real estate portfolio lagged its policy benchmark by 80 basis points as both managers underperformed their benchmarks.

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		5 Years Ending 6/30/06		10 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Fund	-1.0%	46	3.1%	77	9.5%	71	11.6%	70	6.2%	74	8.8%	27	9.7%	--	3/31/80
Policy Portfolio	-0.7	30	3.4	69	9.8	60	11.6	70	5.9	82	8.4	44	--	--	
Total U.S. Equity	-2.3	39	3.0	58	8.6	84	12.2	80	3.6	76	8.6	61	10.0	68	12/31/93
Russell 3000 Index	-2.0	26	3.2	52	9.6	64	12.6	71	3.5	79	8.5	63	10.3	59	
Total Non-U.S. Equity	-0.8	60	7.6	73	27.6	29	23.9	42	11.3	40	9.1	30	9.5	32	3/31/94
Performance Benchmark	-0.0	31	9.7	27	27.9	25	25.3	21	11.0	46	6.9	76	7.2	76	
Total Global Equity	-0.6	37	6.1	54	16.3	76	--	--	--	--	--	--	16.5	--	4/30/05
MSCI All-Country World Index	-0.8	40	6.1	54	18.0	65	--	--	--	--	--	--	18.1	--	
Total U.S. Fixed Income	-0.1	45	-0.4	40	0.1	29	3.1	23	5.5	36	6.5	28	6.1	--	2/28/94
LB Aggregate Bond Index	-0.1	45	-0.7	61	-0.8	64	2.1	66	5.0	56	6.2	47	6.1	--	
Total Real Estate	3.3	--	6.7	--	17.2	--	14.9	--	12.3	--	11.9	--	11.4	--	3/31/94
Policy Benchmark	4.0	--	7.5	--	18.4	--	15.7	--	12.0	--	12.4	--	11.5	--	

MARKET ENVIRONMENT
Second Quarter 2006

MAJOR MARKET RETURNS

	Second Quarter	Year-to-Date	1 Year Ending 6/30/06	3 Years Ending 6/30/06	5 Years Ending 6/30/06	10 Years Ending 6/30/06
Dow Jones Wilshire 5000 Index	-2.0%	3.4%	9.9%	13.0%	4.0%	8.5%
MSCI All Country World ex-U.S. Index	0.0	9.7	27.9	25.3	11.4	6.8
MSCI EAFE Index	0.7	10.2	26.6	23.9	10.0	6.4
MSCI Emerging Markets Index	-4.3	7.2	35.5	34.3	21.2	6.4
MSCI All Country World Index	-0.8	6.1	18.0	17.7	6.4	6.9
Lehman Brothers Aggregate Bond Index	-0.1	-0.7	-0.8	2.1	5.0	6.2

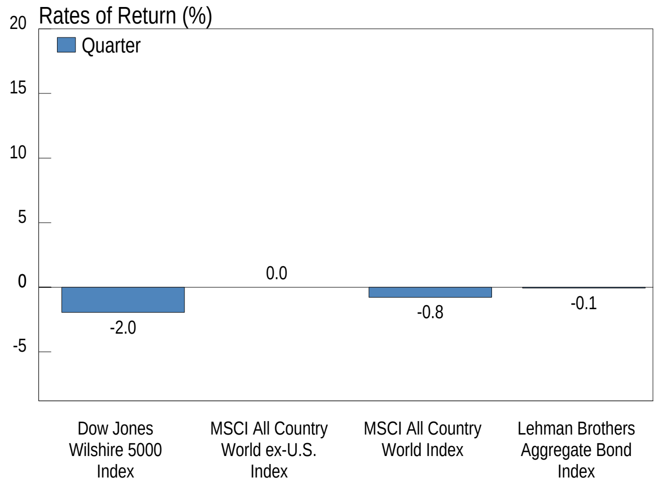
- During the second quarter of 2006, the broad U.S. equity market declined as economic growth began to slow to a more moderate pace. After beginning the year with robust growth, higher energy costs and the effects of continued interest rate hikes weighed on the market. GDP increased to an annual rate of 5.6% during the first quarter, with most economists estimating much lower numbers for the second quarter. As economic growth moderates, inflation worries still remain. Energy costs rose 2.4% during May, and the Consumer Price Index for All Urban Workers (CPI-U), excluding food and energy, rose 0.3%. The Index has already gained 3.1% during the first five months of 2006, compared to a 2.2% increase during all of 2005.

- The Dow Jones Wilshire 5000 Index declined 2.0% during the second quarter. Technology and materials were the worst performing sectors, declining 8.1% and 4.0%, respectively. The transportation and energy sectors continued to perform well, gaining 3.7% and 3.6%, respectively. Year-to-date, transportation has gained 15.1%, followed by energy at 13.1%. The utilities sector also performed well during the quarter advancing 3.0% and posting a year-to-date gain of 9.6%. During the quarter, large-cap stocks outperformed small-cap stocks and value outperformed growth.

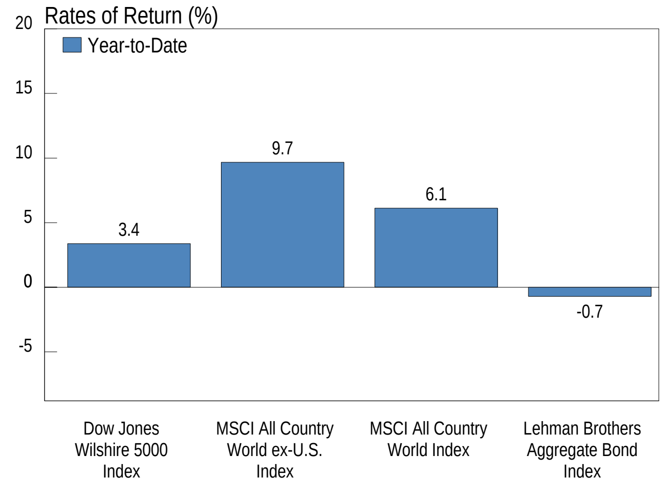
- Non-U.S. stocks, as measured by the MSCI All Country World ex-U.S. Index, also experienced a slowdown finishing flat for the quarter. Slower economic growth in developed markets, along with a tighter global monetary policy, hurt all international equity markets. These factors also affected emerging markets, which ended their run of stellar performance with a decline in the MSCI Emerging Markets Index of 4.3% during the quarter. South Africa, which was the top performing region during the first quarter, declined 14.9% during the second quarter. Nonetheless, the MSCI Emerging Markets Index has still gained 7.2% year-to-date.

- The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, declined 0.1% during the quarter. Most sectors within the Index were flat for the quarter with the exception of corporates, which declined 0.4%, and asset-backed securities, which gained 0.4%. All U.S. Treasury yields rose, ending the quarter with a slightly inverted yield curve. Uncertainty remained at quarter-end as to when the Federal Reserve interest rate hikes would end, as rates stood at 5.25% after two rate increases during the quarter. The June 29, 2006 meeting of the Federal Reserve marked the seventeenth consecutive rate increase since the Federal Reserve began raising rates on June 30, 2004.

MAJOR MARKET RETURNS
SECOND QUARTER

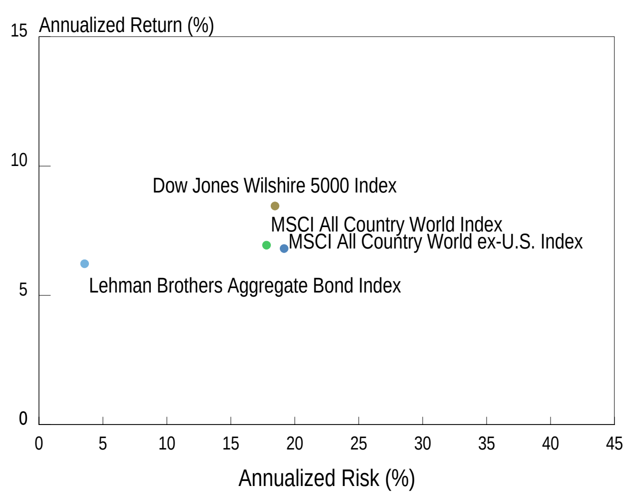


MAJOR MARKET RETURNS
YEAR-TO-DATE ENDING 6/30/06

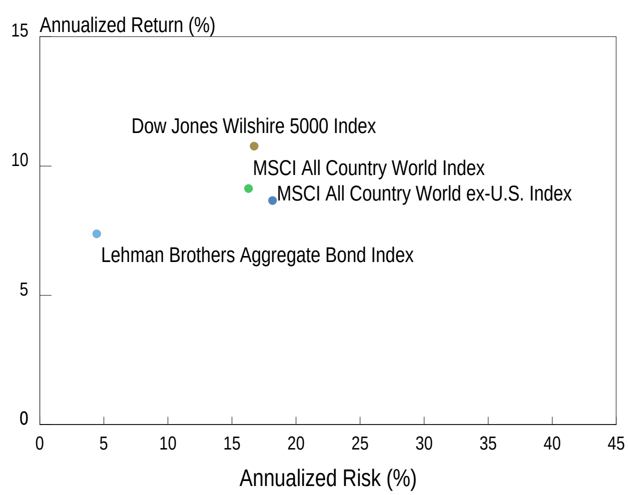


- The exhibits above show the performance of the major capital markets during the second quarter and year-to-date period.

ANNUALIZED RISK/RETURN
10 YEARS ENDING 6/30/06

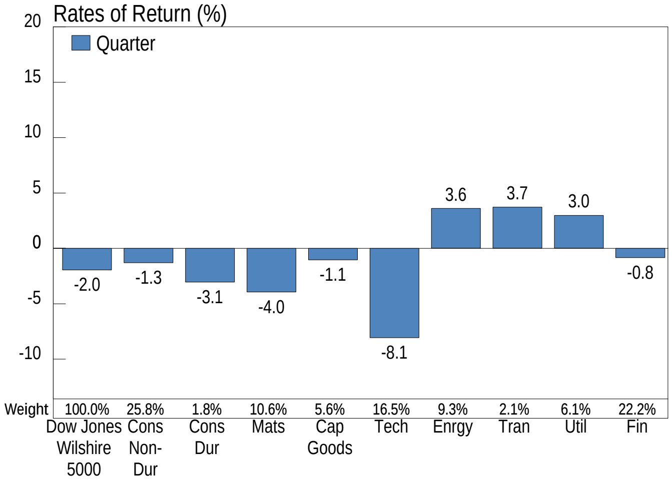


ANNUALIZED RISK/RETURN
20 YEARS ENDING 6/30/06

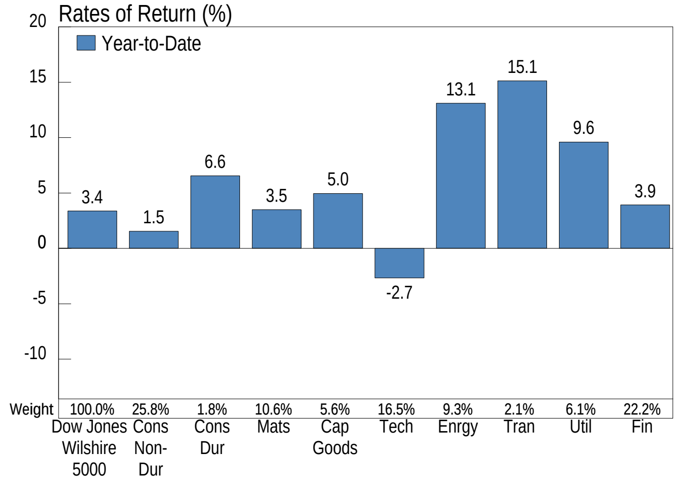


- The exhibits above show the historical performance of the major capital markets adjusted for the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

SECTOR RETURNS
SECOND QUARTER



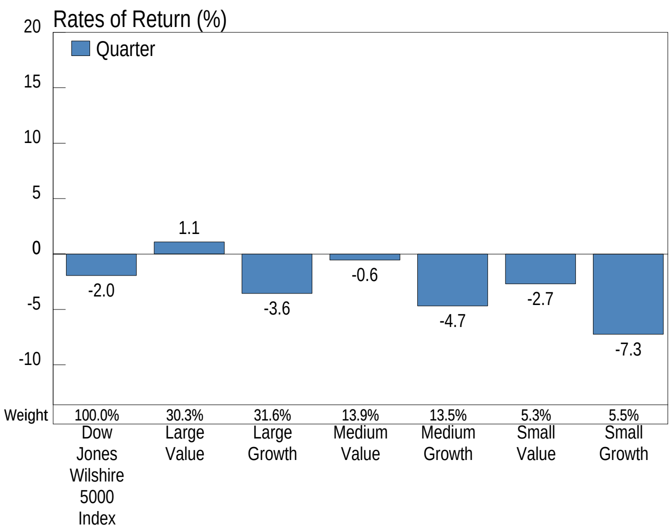
SECTOR RETURNS
YEAR-TO-DATE ENDING 6/30/06



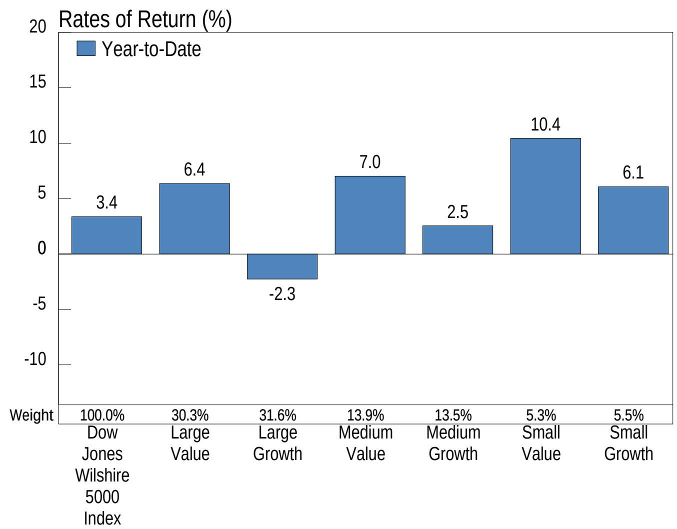
- The Dow Jones Wilshire 5000 Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price data.

- The exhibits above show the performance of the industrial sectors that comprise the Dow Jones Wilshire 5000 Index. The percentage below each bar indicates the sector's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

STYLE RETURNS
SECOND QUARTER

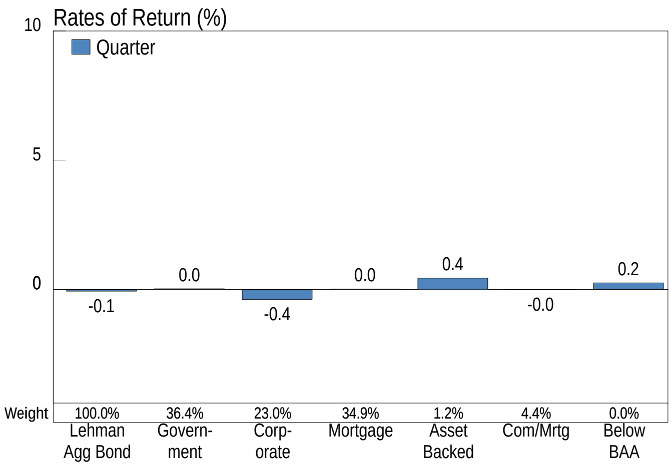


STYLE RETURNS
YEAR-TO-DATE ENDING 6/30/06

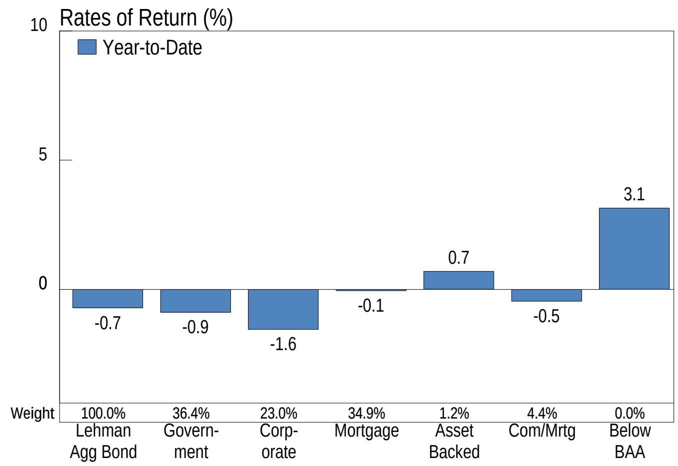


- The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and financial characteristics (value and growth). The percentage below each bar indicates the style's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

SECTOR RETURNS
SECOND QUARTER



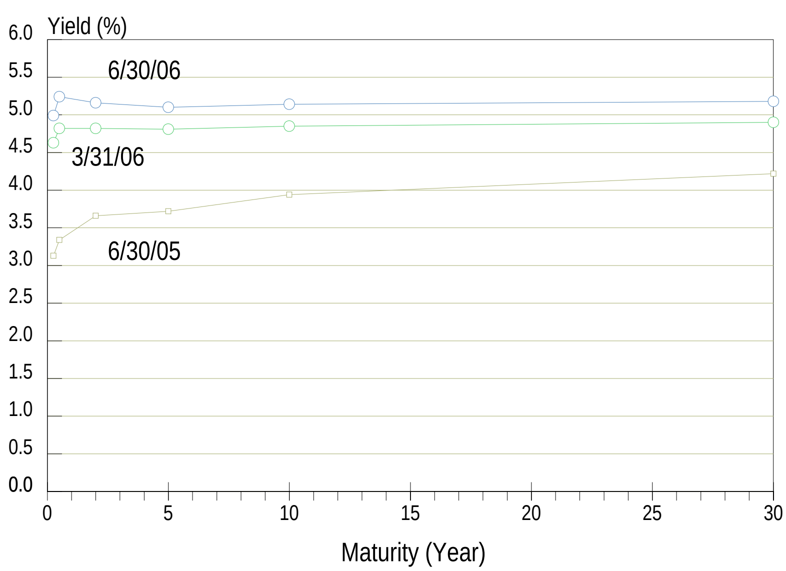
SECTOR RETURNS
YEAR-TO-DATE ENDING 6/30/06



- The Lehman Brothers Aggregate Bond Index is a broad measure of the U.S. investment grade fixed income market. The Index consists of the corporate, government, and mortgage-backed indexes and includes credit card, auto, and home equity loan-backed securities.

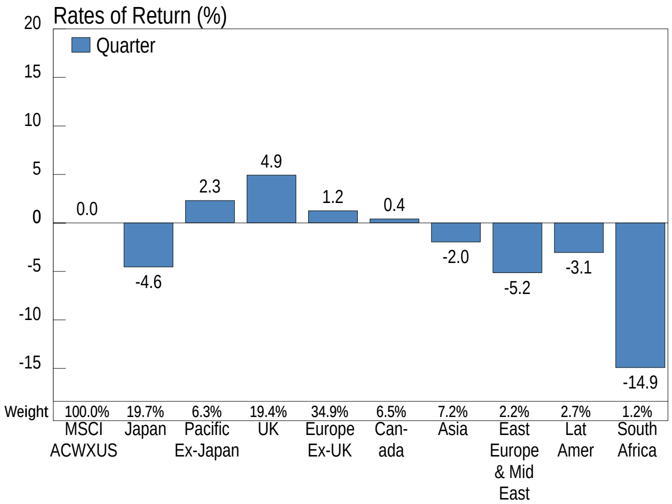
- The exhibits above show the performance of the sectors that comprise the broad domestic bond market. The percentage below each bar indicates the sector's weight within the Lehman Brothers Aggregate Bond Index at quarter-end.

U.S. TREASURY YIELD CURVE

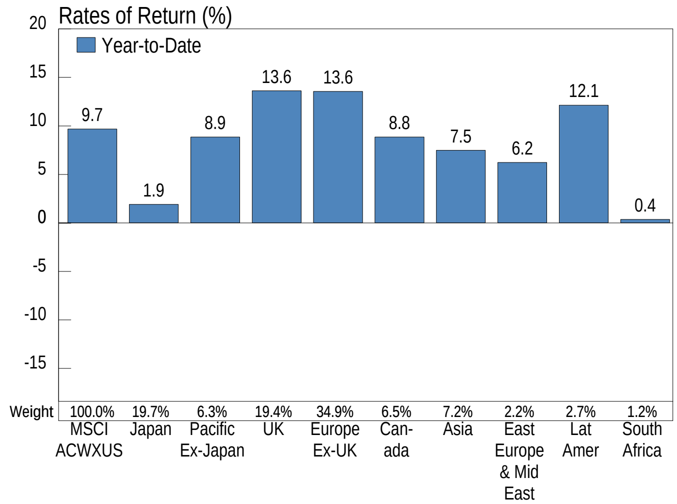


- The exhibit above illustrates yields of Treasury securities of various maturities as of June 30, 2005, March 31, 2006, and June 30, 2006.

NON-U.S. STOCK MARKET RETURNS
SECOND QUARTER

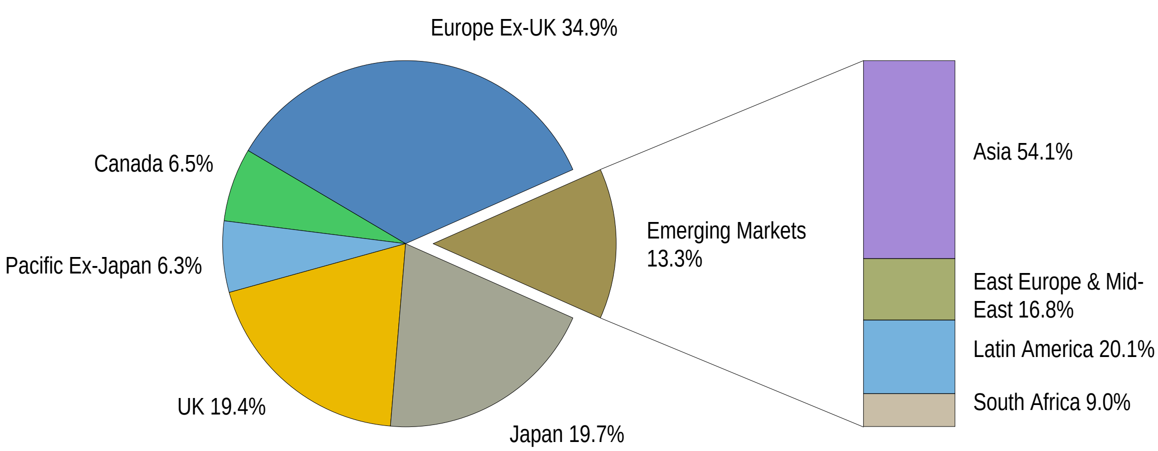


NON-U.S. STOCK MARKET RETURNS
YEAR-TO-DATE ENDING 6/30/06



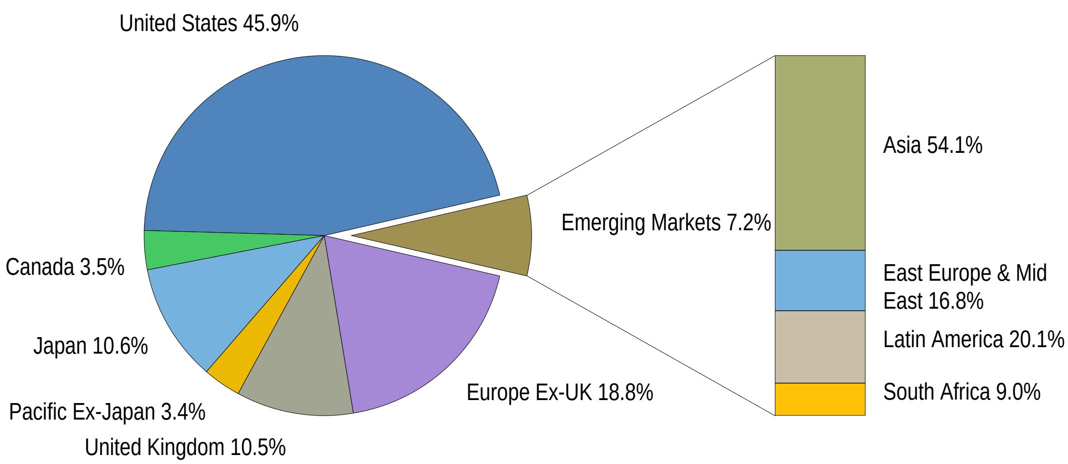
- The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 22 developed stock markets and 26 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.

MSCI ALL COUNTRY WORLD EX-U.S. INDEX
GEOGRAPHIC ALLOCATION AS OF 6/30/06



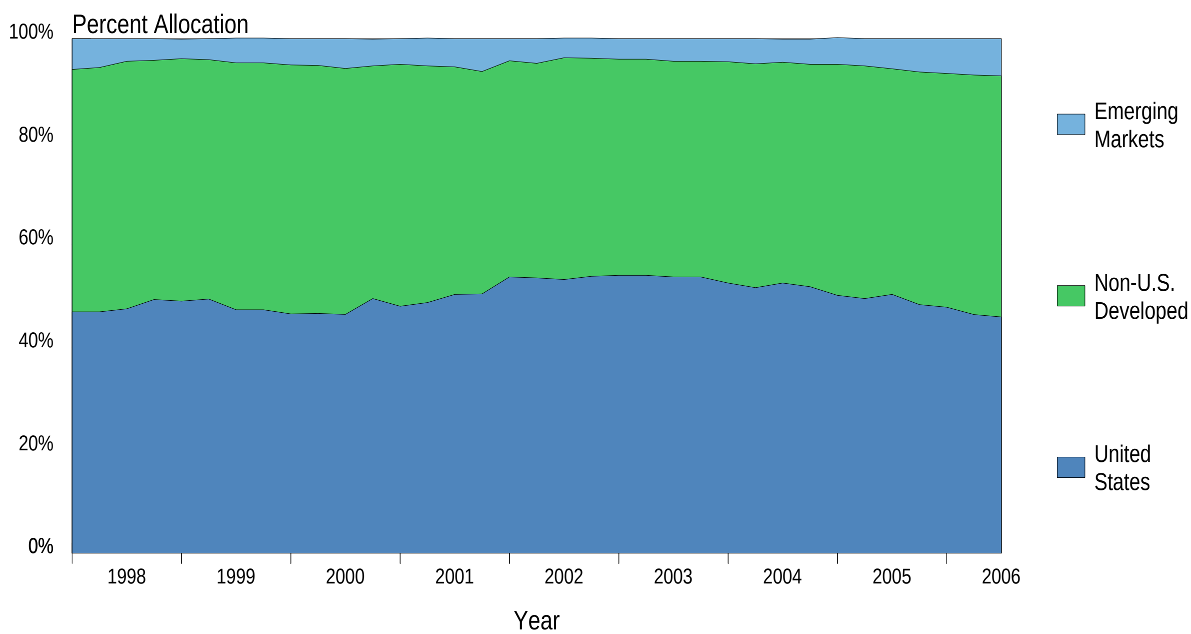
- The exhibit above illustrates the percent each region represents of the non-U.S. stock market as measured by the MSCI All Country World ex-U.S. Index.

MSCI ALL COUNTRY WORLD INDEX
GEOGRAPHIC ALLOCATION AS OF 6/30/06



- The MSCI All Country World Index is a capitalization-weighted index of stocks representing 23 developed stock markets and 26 emerging stock markets around the world. The graph above shows the allocation to each region at quarter-end.

ALLOCATION



- The graph above shows the changes in the breakdown between the United States, non-U.S. developed markets, and emerging markets in the MSCI All Country World Index over time.

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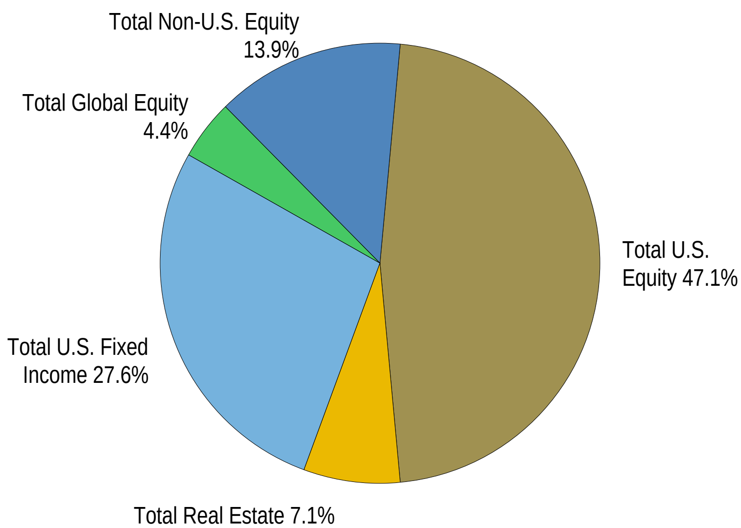
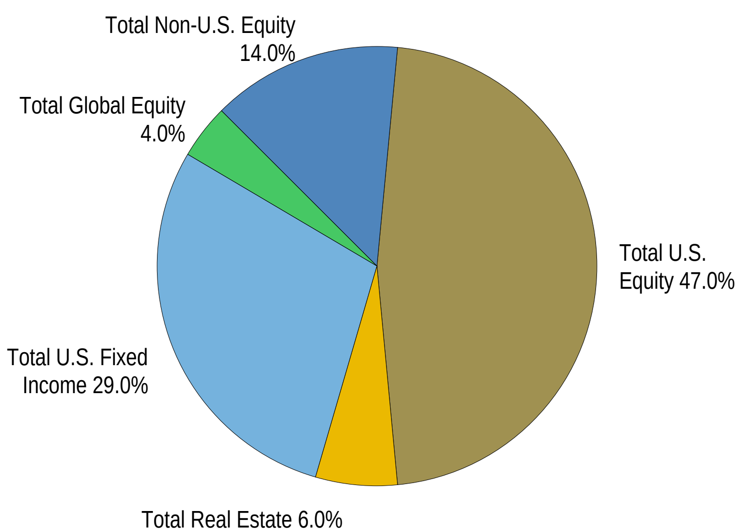
ASSET ALLOCATION

Second Quarter 2006

ASSET ALLOCATION AS OF 6/30/06



Actual



Policy

Second Quarter 2006

ASSET ALLOCATION AS OF 6/30/06

($ in thousands)

	U.S. Equity	Foreign Equity	U.S. Bond	Foreign Bond	Real Estate	Cash	Total	Percent of Total	Policy
Delta	$223,484	--	--	--	--	$8,346	$231,830	8.8%	
BGI Equity Index Fund	760,437	--	--	--	--	--	760,437	29.0	
LSV	84,039	--	--	--	--	1,628	85,667	3.3	
Wasatch	66,564	$7,048	--	--	--	4,699	78,311	3.0	
BGI Extended Equity	77,817	--	--	--	--	--	77,817	3.0	
Total U.S. Equity	1,212,341	7,048	--	--	--	14,673	1,234,062	47.1	47.0%
Capital Guardian	$508	$227,552	--	--	--	$3,004	$231,064	8.8%	
Sprucegrove	--	128,409	--	--	--	3,971	132,380	5.0	
Total Non-U.S. Equity	508	355,961	--	--	--	6,975	363,444	13.9	14.0%
GMO	$19,273	$38,605	--	--	--	--	$57,878	2.2%	
Wellington	29,894	26,584	--	--	--	$193	56,671	2.2	
Total Global Equity	49,167	65,189	--	--	--	193	114,549	4.4	4.0%
Western	--	--	$226,264	$17,172	--	$19,937	$263,373	10.0%	
BGI U.S. Debt Fund	--	--	159,905	--	--	--	159,905	6.1	
Reams	--	--	208,610	--	--	19,379	227,989	8.7	
Loomis Sayles	--	--	58,169	13,681	--	1,273	73,123	2.8	
Total U.S. Fixed Income	--	--	652,948	30,853	--	40,589	724,390	27.6	29.0%
Prudential Real Estate	--	--	--	--	$74,331	--	$74,331	2.8%	
UBS Real Estate	--	--	--	--	85,757	--	85,757	3.3	
Guggenheim Real Estate	--	--	--	--	25,000	--	25,000	1.0	
Total Real Estate	--	--	--	--	185,088	--	185,088	7.1	6.0%
Total Fund	$1,262,016	$428,198	$652,948	$30,853	$185,088	$62,430	$2,621,533	100.0%	100.0%
Percent of Total	48.1%	16.3%	24.9%	1.2%	7.1%	2.4%	100.0%		

- The table above highlights VCERA's current investment allocations relative to its policy. As of June 30, 2006, VCERA was slightly overweight to real estate, global equity, and U.S. equity investments. A corresponding underweight was experienced within the Fund's fixed income and non-U.S. equity portfolios. As of quarter-end, the portfolio was in compliance with the Investment Policy Statement's rebalancing policy.

- In June approximately $30 million was transferred from the non-U.S. equity asset class and $25 million was transferred from the fixed income asset class. The recipients of the funding were the U.S. equity asset class, $20.5 million, and the real estate asset class, $25 million. The real estate portion was used to fund a new manager, Guggenheim.

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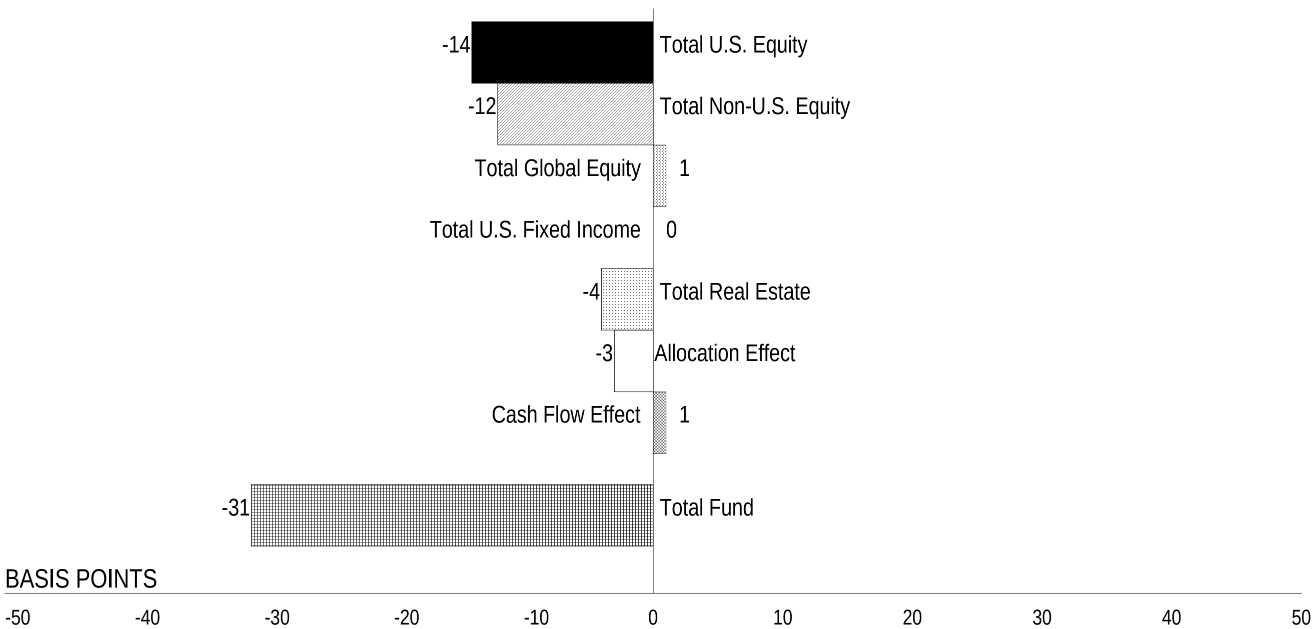
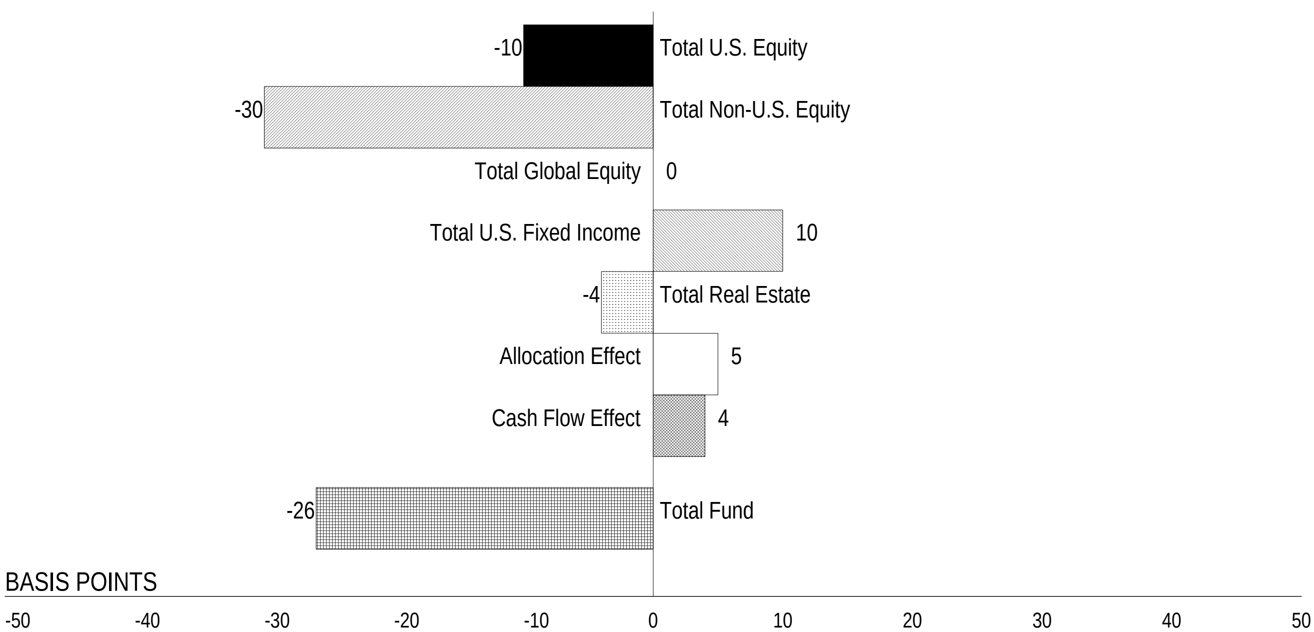
PERFORMANCE EVALUATION

Second Quarter 2006

TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/06



TOTAL FUND ATTRIBUTION ANALYSIS
6 MONTHS ENDING 6/30/06



Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		5 Years Ending 6/30/06		10 Years Ending 6/30/06	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund	-1.0%	46	3.1%	77	9.5%	71	11.6%	70	6.2%	74	8.8%	27
Policy Portfolio	-0.7	30	3.4	69	9.8	60	11.6	70	5.9	82	8.4	44

COMMENTARY ON INVESTMENT PERFORMANCE

- During the second quarter, the Total Fund declined 1.0% and trailed the return of the benchmark by 0.3 percentage points. The relative performance of the U.S. and non-U.S. equity asset classes were the main reason for the lag in the Total Fund's performance.

- The total U.S. equity portfolio declined 2.3% and underperformed the Russell 3000 index by 0.3 percentage points. Delta detracted the most relative value from the asset class' performance during the quarter, underperforming its benchmark by 80 basis points. Wasatch also trailed its benchmark by 80 basis points, but due to its lesser allocation did not contribute as much to the asset classes relative performance. Within the non-U.S. equity portfolio, both Capital Guardian and Sprucegrove underperformed their respective benchmarks. The global equity portfolio added relative value during the second quarter due to the strong performance of the Wellington account which returned 0.2 percentage points during the quarter. The fixed income portfolio equaled its benchmark during the second quarter and was greatly aided by the performance of the Reams portfolio, which offset the poor relative performance of Loomis Sayles and Western. The total real estate portfolio lagged its policy benchmark by 80 basis points as both managers underperformed their benchmarks.

- The attribution analysis on the top of the previous page highlights the separate components' contribution within VCERA's total portfolio for the second quarter. As shown, the greatest detractors included the U.S. equity and non-U.S. equity portfolios. Also hindering results was the relative underperformance of the real estate component.

- The attribution graph shown on the bottom of the previous page highlights VCERA's performance over the year-to-date period. During the year-to-date, the Total Fund trailed the performance of its benchmark by 26 basis points. Over the period, the non-U.S. equity and U.S. equity portfolios contributed the most to the underperformance.

Second Quarter 2006

HISTORICAL RETURNS
(BY YEAR)

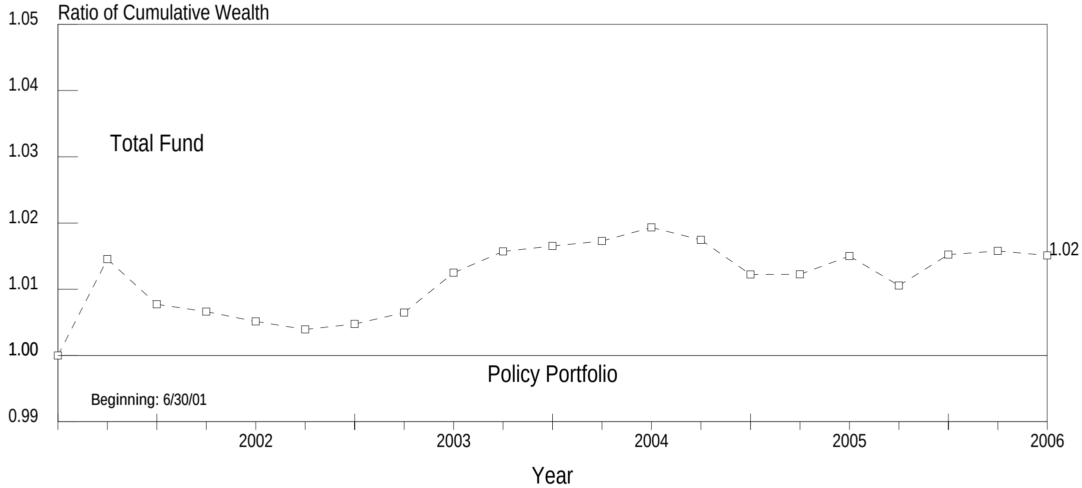
	Total Fund	Policy Portfolio	Return Difference
	Return	Return	
1980	7.7%	9.1%	-1.4
1981	2.2	4.5	-2.3
1982	32.4	26.4	6.0
1983	13.3	11.6	1.7
1984	8.4	11.4	-3.0
1985	22.4	22.8	-0.4
1986	15.4	15.4	0.0
1987	6.6	3.4	3.2
1988	10.1	11.7	-1.6
1989	19.6	21.9	-2.3
1990	6.1	2.9	3.2
1991	19.8	22.1	-2.3
1992	8.6	7.7	0.9
1993	9.9	8.6	1.3
1994	-2.1	0.8	-2.9
1995	25.2	24.6	0.6
1996	14.9	13.6	1.3
1997	18.8	19.9	-1.1
1998	16.8	20.3	-3.5
1999	13.5	14.3	-0.8
2000	0.7	-1.8	2.5
2001	-2.2	-6.0	3.8
2002	-10.4	-10.1	-0.3
2003	24.4	22.9	1.5
2004	10.8	11.3	-0.5
2005	7.9	7.6	0.3
2006 (6 months)	3.1	3.1	0.0
Trailing 1-Year	9.5%	9.5%	0.0
Trailing 3-Year	11.6	11.5	0.1
Trailing 5-Year	6.2	5.9	0.3
Trailing 10-Year	8.8	8.4	0.4

COMMENTARY

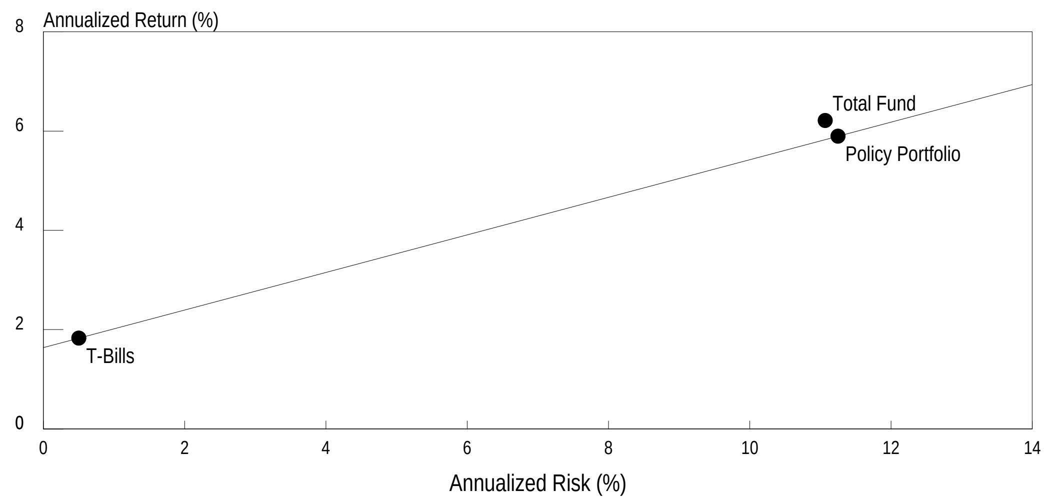
- The table above compares the historical returns of VCERA's Total Fund with those of the policy benchmark. The Total Fund's trailing three-, five-, and ten-year returns have exceeded that of the benchmark by 0.1, 0.3, and 0.4 percentage points, respectively.

Second Quarter 2006

RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 6/30/06



ANNUALIZED RISK/RETURN
5 YEARS ENDING 6/30/06



- The Ratio of Cumulative Wealth graph above illustrates the Total Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark while a downward sloping line indicates a lower return. The Total Fund outperformed its benchmark over the past five years.

- The risk/return graph above exhibits the risk/return characteristics of VCERA's Total Fund, relative to that of its policy portfolio. As seen in the graph, over the past five years, VCERA experienced a higher rate of return than the benchmark, while taking on a slightly lower level of volatility.

Second Quarter 2006

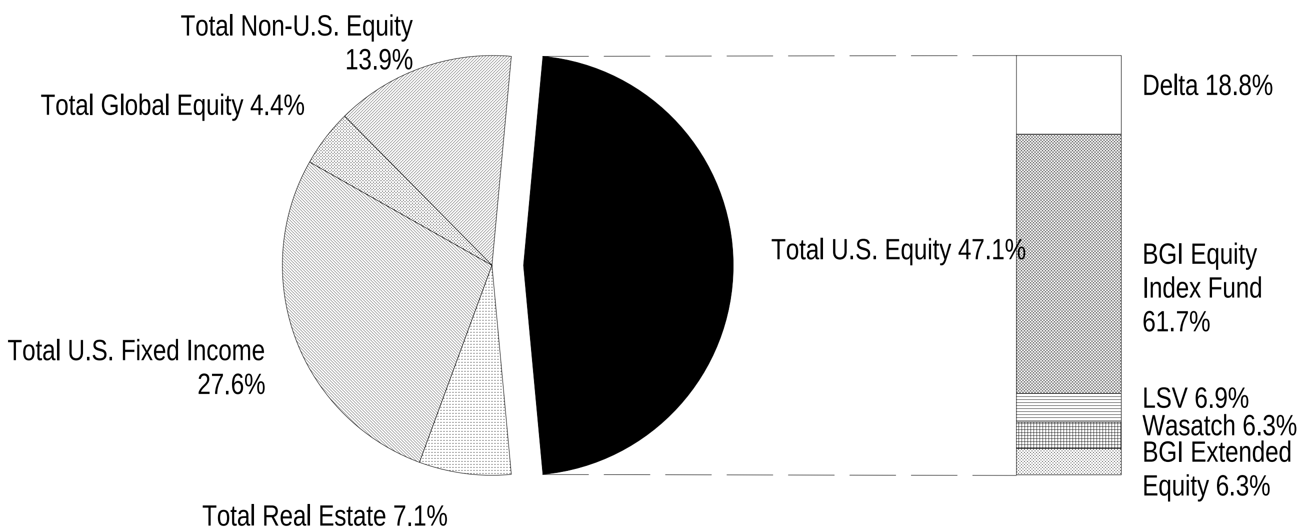
IMRS SCORES

	IMRS Score	IMRS Rating	Any Change During the Quarter
U.S. Equity			
Delta	13	Good	No
LSV	16	Excellent	No
Wasatch	17	Excellent	No
Non-U.S. Equity			
Capital Guardian	19	Excellent	No
Sprucegrove	17	Excellent	No
Global Equity			
GMO	15	Good	No
Wellington	15	Good	Yes
Fixed Income			
Western	16	Excellent	No
Reams	16	Excellent	No
Loomis Sayles	16	Excellent	Yes
Real Estate			
Prudential	17.5	Excellent	No
UBS	18	Excellent	No

- We adjusted the score given to Wellington from 14 to 15 as the Global Research Equity product's performance is still comfortably above the benchmark and the product has exceeded ten years since its inception.
- The score given to Loomis Sayles was also adjusted during the quarter. The score changed from 15 to 16.

Second Quarter 2006

ASSET ALLOCATION AS OF 6/30/06

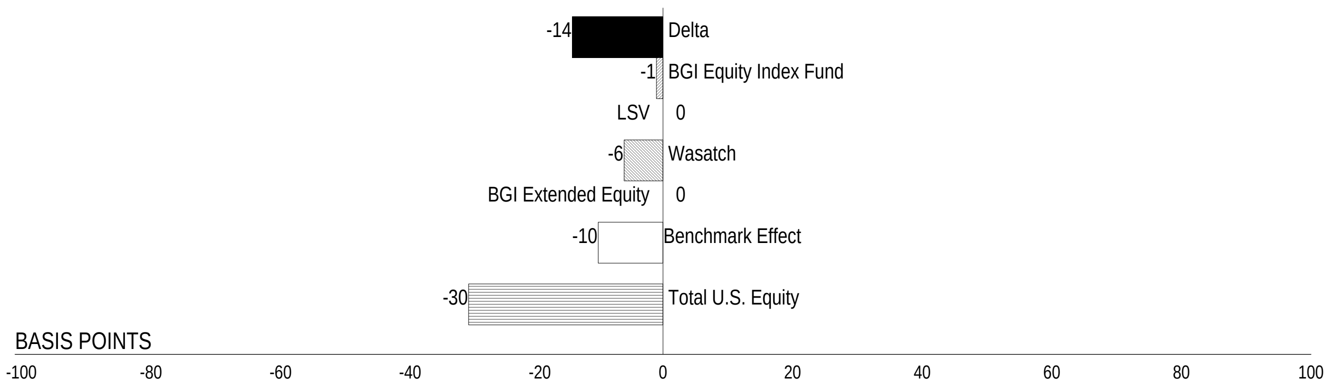


TOTAL U.S. EQUITY

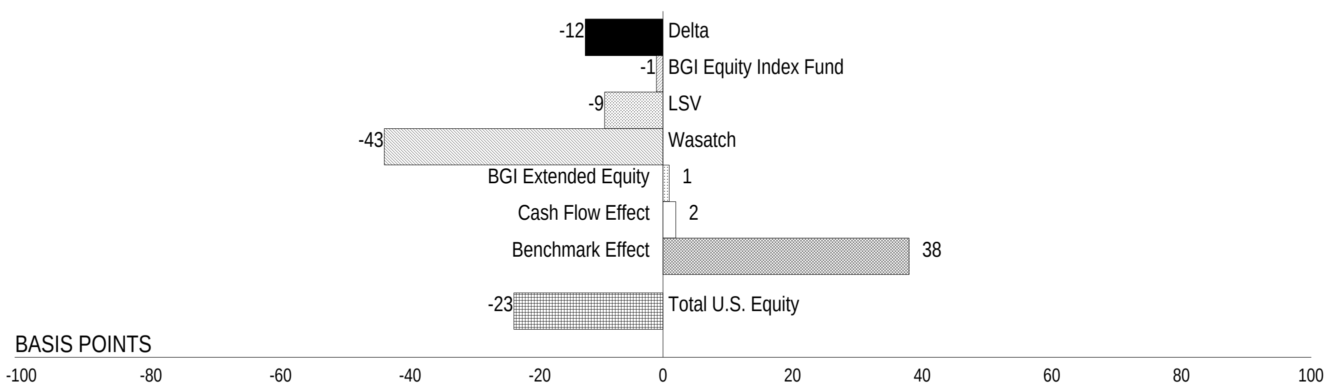
$1,234.1 Million and 47.1% of Fund

Second Quarter 2006

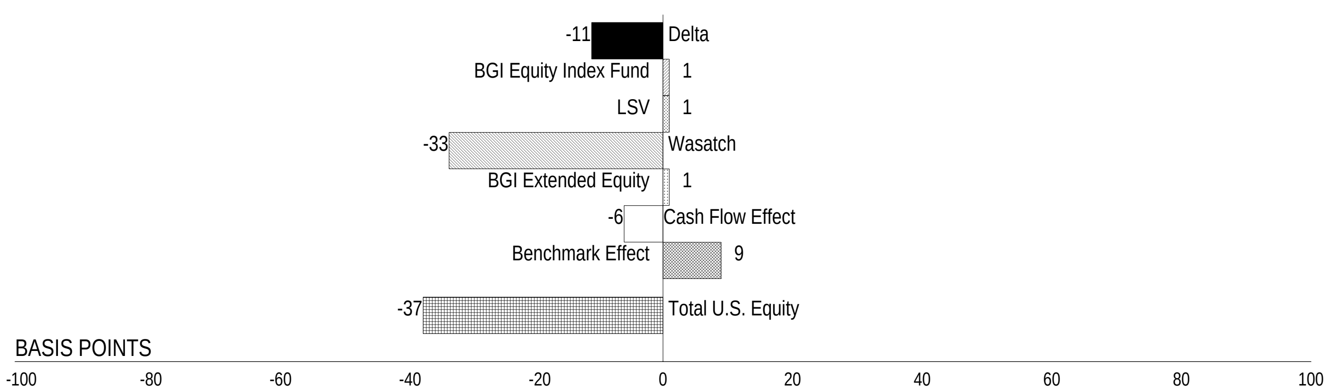
MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/06



MANAGER ATTRIBUTION ANALYSIS
6 MONTHS ENDING 6/30/06



MANAGER ATTRIBUTION ANALYSIS
3 YEARS ENDING 6/30/06



Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		5 Years Ending 6/30/06		10 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Equity	-2.3%	39	3.0%	58	8.6%	84	12.2%	80	3.6%	76	8.6%	61	10.0%	68	12/31/93
Russell 3000 Index	-2.0	26	3.2	52	9.6	64	12.6	71	3.5	79	8.5	63	10.3	59	
Delta	-2.2	55	2.1	57	8.0	56	10.8	64	2.9	57	9.1	50	10.8	53	9/30/91
S&P 500 Index	-1.4	38	2.7	48	8.6	50	11.2	59	2.5	61	8.3	62	10.5	62	
BGI Equity Index Fund	-1.5	40	2.7	48	8.6	50	11.2	59	2.5	61	--	--	4.9	--	7/31/97
S&P 500 Index	-1.4	38	2.7	48	8.6	50	11.2	59	2.5	61	--	--	4.9	--	
LSV	-2.7	40	9.1	30	14.0	42	21.2	38	17.5	8	--	--	15.6	44	9/30/98
Russell 2000 Value Index	-2.7	40	10.4	18	14.6	38	21.0	40	13.1	54	--	--	14.0	68	
Wasatch	-8.1	65	-0.2	93	0.5	99	11.5	89	3.6	55	--	--	14.3	--	11/30/99
Performance Benchmark	-7.3	57	6.1	46	14.6	46	16.3	49	4.6	48	--	--	5.8	--	
BGI Extended Equity	-3.6	18	5.7	57	14.4	37	19.0	52	--	--	--	--	21.1	--	10/31/02
DJ Wilshire 4500 Index	-3.6	18	5.5	60	14.0	39	18.8	54	--	--	--	--	21.1	--	

Second Quarter 2006

- The Russell 3000 Index lost 2.0% during the second quarter as the broad U.S. equity market declined as economic growth began to slow to a more moderate pace. Technology and materials were the worst performing sectors, declining 8.1% and 4.0%, respectively. The transportation and energy sectors continued to perform well, gaining 3.7% and 3.6%, respectively. During the quarter, large-cap stocks outperformed small-cap stocks and value outperformed growth.

- The total U.S. equity portfolio's return slightly trailed that of its benchmark during the second quarter. Two active managers, Delta and Wasatch, underperformed their respective benchmarks by 0.8 percentage points. The BGI Equity Index Fund experienced slight negative tracking during the second quarter, while the other passive option successfully tracked its Index.

- Performance over the year-to-date, one-, three-year, and since-inception time periods is below that of the Russell 3000 Index. The returns over the five- and ten-year periods remain favorable.

- The attribution analysis on page 24 highlights each manager's contribution within VCERA's U.S. equity portfolio. The benchmark effect in the quarter, year-to-date, and three-year attribution graphs is the cumulative performance of the individual manager's benchmarks relative to the Russell 3000 Index (the U.S. equity benchmark). During the quarter, the negative benchmark effect is a result of a modest overweight to small cap securities through managers, LSV and Wasatch. As small cap securities underperformed the returns of their large cap counterparts, a negative benchmark effect is evident.

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		10 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Delta	-2.2%	55	2.1%	57	8.0%	56	10.8%	64	9.1%	50	10.8%	53	9/30/91
S&P 500 Index	-1.4	38	2.7	48	8.6	50	11.2	59	8.3	62	10.5	62	

PHILOSOPHY AND PROCESS

- Delta Asset Management attempts to identify changes in the economic/business environment that could positively impact groupings of stocks. The macroeconomic analysis determines the types of sectors/industries upon which the firm focuses.

- The manager conducts analysis at the security level to identify those companies that are well positioned to benefit from its economic outlook. The manager uses fundamental research to identify those companies that are expected to show an increase in revenue and earnings as a result of changes in the company's business, products or market position.

COMMENTARY ON INVESTMENT PERFORMANCE

- During the quarter, Delta returned -2.2% and underperformed the S&P 500 Index by 80 basis points primarily due to weak stock selections within the health care sector coupled with an overweight allocation to the information technology sector. Top ten holdings, Microsoft (-14.0%), American International Group (-10.4%), and Cisco Systems (-9.9%) also contributed to the underperformance during the quarter.

- The portfolio still holds a large overweight (22% vs. 15%) to the information technology sector and the manager feels the names they hold continue to have potential for future growth. As eluded to above, during second quarter, the technology sector's return lagged that of the Index and detracted from relative value.

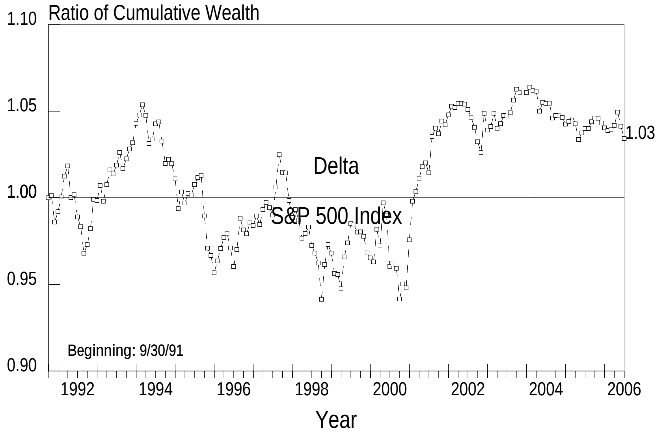
- Delta's longer-period returns compare favorably with those of the S&P 500 Index, with the exception of the one-, and three-year periods.

DELTA

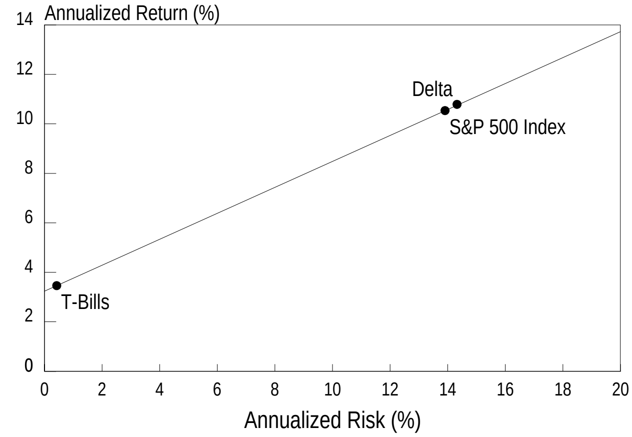
$231.8 Million and 8.8% of Fund

Second Quarter 2006

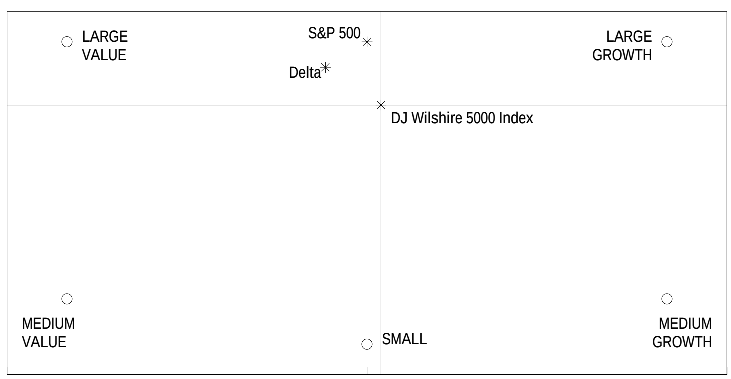
RATIO OF CUMULATIVE WEALTH
14 YEARS 9 MONTHS ENDING 6/30/06



ANNUALIZED RISK/RETURN
14 YEARS 9 MONTHS ENDING 6/30/06



EFFECTIVE STYLE MAP
14 YEARS 9 MONTHS ENDING 6/30/06



- The Ratio of Cumulative Wealth graph above on the left illustrates the manager's cumulative performance relative to that of the S&P 500 Index. An upward sloping line between two points indicates that the component's return exceeded that of the Index, while a downward sloping line indicates a lesser return. As seen in the graph, the manager has added value since inception as relative performance was strong in 2000, 2001, and 2003.

- The risk/return graph above on the right illustrates the risk return characteristics of Delta, relative to the S&P 500 Index. As seen from the chart, Delta's return is greater than that of the Index while taking on a slightly greater level of risk.

- The bottom graph highlights Delta's investment style over time.

Second Quarter 2006

HISTORICAL RETURNS
(BY YEAR)

	Delta		S&P 500 Index		Return Difference
	Return	Rank	Return	Rank	
1991 (3 months)	7.5%	66	8.4%	58	-0.9
1992	8.3	59	7.6	64	0.7
1993	15.0	35	10.1	74	4.9
1994	-1.8	74	1.3	35	-3.1
1995	30.2	85	37.6	33	-7.4
1996	26.5	18	23.0	46	3.5
1997	34.0	26	33.4	32	0.6
1998	25.9	46	28.6	38	-2.7
1999	20.7	45	21.0	44	-0.3
2000	-8.1	66	-9.1	70	1.0
2001	-5.4	29	-11.9	56	6.5
2002	-22.8	57	-22.1	53	-0.7
2003	31.4	27	28.7	50	2.7
2004	9.0	67	10.9	51	-1.9
2005	4.7	69	4.9	67	-0.2
2006 (6 months)	2.1	57	2.7	48	-0.6
Trailing 1-Year	8.0%	56	8.6%	50	-0.6
Trailing 3-Year	10.8	64	11.2	59	-0.4
Trailing 5-Year	2.9	57	2.5	61	0.4
Trailing 10-Year	9.1	50	8.3	62	0.8
Since Inception (9/30/91)	10.8	53	10.5	62	0.3

- The chart above shows the historical performance of the Delta portfolio and its benchmark, the S&P 500 Index. As shown, 1994 and 1995 accounted for the greatest below-benchmark performance, while 1993 and 2001 were the calendar years that contributed most to the outperformance since inception. The five-, ten-year, and since-inception returns have added value relative to the benchmark.

	Delta	S&P 500
Capitalization Focus	Large	Large
Number of Holdings	105	500
Top 5 Holdings	General Electric Citigroup Bank of America ExxonMobil Microsoft	ExxonMobil General Electric Microsoft Citigroup Bank of America
Sector Emphasis	Information Technology	Financial Services
Cash Allocation	3.6%	0.0%
Total Strategy Assets	$4.0 Billion	--
Inception Date	9/30/91	--
Portfolio Manager(s)	Carl Goldsmith, Marla Ryan	

BGI EQUITY INDEX FUND

$760.4 Million and 29.0% of Fund

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Equity Index Fund	-1.5%	40	2.7%	48	8.6%	50	11.2%	59	4.9%	--	7/31/97
S&P 500 Index	-1.4	38	2.7	48	8.6	50	11.2	59	4.9	--	

PHILOSOPHY AND PROCESS

- The BGI Equity Index Fund is an index fund which is designed to replicate the performance of the S&P 500 Index. BGI looks to replicate the performance of the S&P 500 Index by holding each security within the Index.

COMMENTARY ON INVESTMENT PERFORMANCE

- The BGI Equity Index Fund experienced slight negative tracking versus the performance of the S&P 500 Index during the second quarter. Additionally, the Fund closely tracked the benchmark over all longer time periods analyzed.

Second Quarter 2006

HISTORICAL RETURNS
(BY YEAR)

	BGI Equity Index Fund		S&P 500 Index		Return Difference
	Return	Rank	Return	Rank	
1997 (5 months)	2.4%	--	2.4%	--	0.0
1998	28.6	38	28.6	38	0.0
1999	21.0	44	21.0	44	0.0
2000	-9.1	70	-9.1	70	0.0
2001	-11.9	56	-11.9	56	0.0
2002	-22.1	53	-22.1	53	0.0
2003	28.7	50	28.7	50	0.0
2004	10.9	51	10.9	51	0.0
2005	5.0	67	4.9	67	0.1
2006 (6 months)	2.7	48	2.7	48	0.0
Trailing 1-Year	8.6%	50	8.6%	50	0.0
Trailing 3-Year	11.2	59	11.2	59	0.0
Trailing 5-Year	2.5	61	2.5	61	0.0
Since Inception (7/31/97)	4.9	--	4.9	--	0.0

BGI EXTENDED EQUITY FUND

$77.8 Million and 3.0% of Fund

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Extended Equity	-3.6%	18	5.7%	57	14.4%	37	19.0%	52	21.1%	--	10/31/02
DJ Wilshire 4500 Index	-3.6	18	5.5	60	14.0	39	18.8	54	21.1	--	

PHILOSOPHY AND PROCESS

- The BGI Extended Market Index Fund provides investment in the U.S. equity market excluding those stocks represented in the S&P 500 Index. The Extended Market Index Fund is managed using an optimization technique and as such does not hold all of the securities in the benchmark.

COMMENTARY ON INVESTMENT PERFORMANCE

- The BGI Extended Equity Index Fund successfully tracked the DJ Wilshire 4500 Index during the second quarter. While positive tracking is evident over the year-to-date, one-, and three-year time periods, since-inception returns approximated that of the DJ Wilshire 4500 Index.

Second Quarter 2006

HISTORICAL RETURNS
(BY YEAR)

	BGI Extended Equity		DJ Wilshire 4500 Index		Return Difference
	Return	Rank	Return	Rank	
2002 (2 months)	2.1%	--	2.4%	--	-0.3
2003	43.2	45	43.8	44	-0.6
2004	18.1	70	18.1	70	0.0
2005	10.5	26	10.0	34	0.5
2006 (6 months)	5.7	57	5.5	60	0.2
Trailing 1-Year	14.4%	37	14.0%	39	0.4
Trailing 3-Year	19.0	52	18.8	54	0.2
Since Inception (10/31/02)	21.1	--	21.1	--	0.0

LSV

$85.7 Million and 3.3% of Fund

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
LSV	-2.7%	40	9.1%	30	14.0%	42	21.2%	38	15.6%	44	9/30/98
Russell 2000 Value Index	-2.7	40	10.4	18	14.6	38	21.0	40	14.0	68	

PHILOSOPHY AND PROCESS

- LSV's small-cap value philosophy attempts to purchase undervalued securities with the expectation that they will appreciate in value. The process uses a quantitative three-factor model that looks at how cheap a security is relative to the company's earnings and cash flows, long-term performance (1 to 5 years before a security is purchased) and momentum factors. Once securities are selected from LSV's 7,500 stock universe, they are ranked and given an expected return. The most attractive stocks make it into the portfolio.

COMMENTARY ON INVESTMENT PERFORMANCE

- LSV's second-quarter return was negative 2.7% which matched the return of its benchmark, the Russell 2000 Value Index. Stock selection in the energy, financials, and technology sectors added relative value during the period as did underweight allocations to telecommunications and technology. Conversely, stock selection was negative in the consumer staples and consumer discretionary sectors. Also, hurting performance was the portfolios underweight to REITS, which performed well throughout the quarter.

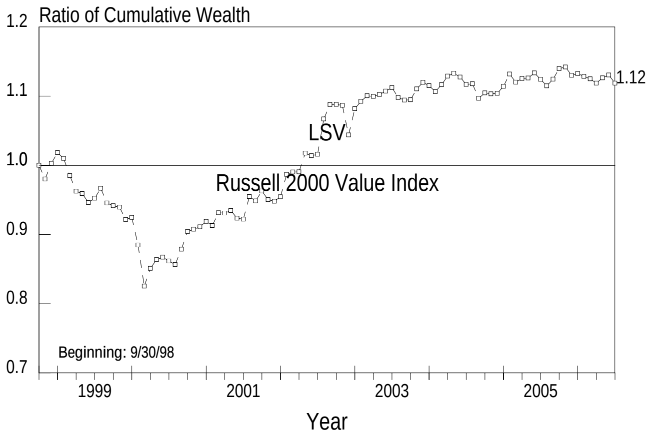
- The performance of all longer time periods analyzed above was mixed. The three-year and since inception returns added value over the benchmark, while the year-to-date and one-year returns underperformed.

- At quarter-end the portfolio's cash allocation was 1.8%, which was within the limits of their policy guidelines.

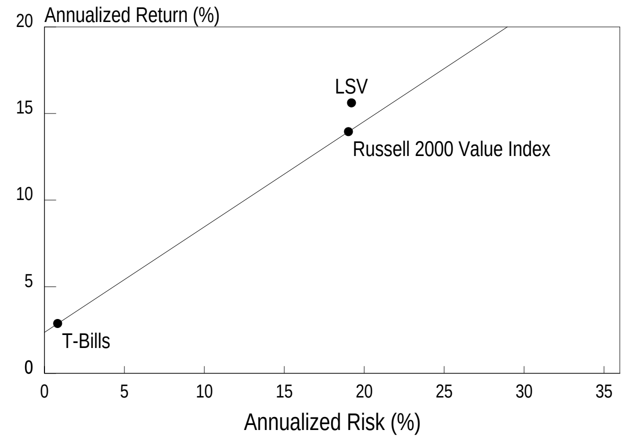
- The manager did, however, violate its guideline of a maximum of 140 holdings as of quarter-end, by holding 154 securities. Ennis Knupp remains comfortable with the number of holdings at this time. We plan to address the issue formally later in the year during the investment policy review.

Second Quarter 2006

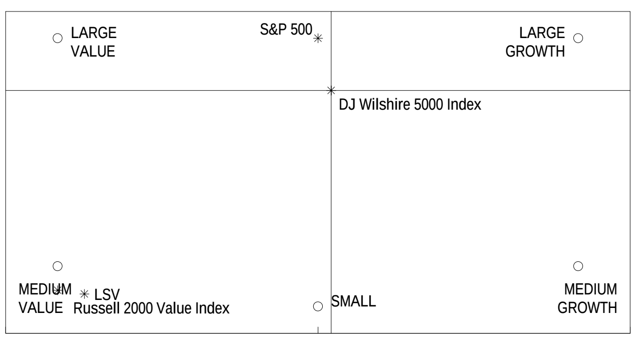
RATIO OF CUMULATIVE WEALTH
7 YEARS 9 MONTHS ENDING 6/30/06



ANNUALIZED RISK/RETURN
7 YEARS 9 MONTHS ENDING 6/30/06



EFFECTIVE STYLE MAP
7 YEARS 9 MONTHS ENDING 6/30/06



- The Ratio of Cumulative Wealth graph above on the left illustrates the manager's cumulative performance relative to that of the benchmark. As seen in the graph, the manager added value relative to the benchmark since inception. Since early 2000, performance has been strong, making up for the deficit in performance experienced early in the portfolio's performance history.

- The risk/return graph above (right) illustrates the portfolio's risk and return characteristics compared to the benchmark. The LSV portfolio has produced a greater return while incurring a similar level of volatility as the benchmark.

- The bottom graph highlights LSV's investment style over time.

Second Quarter 2006

HISTORICAL RETURNS
(BY YEAR)

	LSV		Russell 2000 Value Index		Return Difference
	Return	Rank	Return	Rank	
1998 (3 months)	11.1%	56	9.1%	70	2.0
1999	-10.5	98	-1.5	73	-9.0
2000	22.1	46	22.8	44	-0.7
2001	18.4	43	14.0	67	4.4
2002	0.4	4	-11.4	49	11.8
2003	50.5	20	46.0	35	4.5
2004	22.1	43	22.3	42	-0.2
2005	6.4	67	4.7	75	1.7
2006 (6 months)	9.1	30	10.4	18	-1.3
Trailing 1-Year	14.0%	42	14.6%	38	-0.6
Trailing 3-Year	21.2	38	21.0	40	0.2
Trailing 5-Year	17.5	8	13.1	54	4.4
Since Inception (9/30/98)	15.6	44	14.0	68	1.6

- The table above shows the historical performance of the LSV portfolio and the Russell 2000 Value Index. 1999 was by far LSV's worst performing calendar year in both absolute and relative terms. 2002 posted the greatest relative return compared to that of its benchmark in terms of calendar years. The manager's since-inception return comfortably outdistanced that of the benchmark.

	LSV	Russell 2000 Value
Capitalization Focus	Small	Small
Number of Holdings	154	1,336
Top 5 Holdings	Ryder Systems, Inc. Indymac Bancorp, Inc. Amerus Group Co. Albany International Corp. FMC Corp.	3Com Corp. Highwoods Properties, Inc. Post Properties, Inc. Big Lots, Inc. Hanover Compressor Co.
Sector Emphasis	Financial Services	Financial Services
Cash Allocation	1.9%	0.0%
Total Strategy Assets	$2.6 Billion	--
Inception Date	9/30/98	--
Portfolio Manager(s)	Team Managed	

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Wasatch	-8.1%	65	-0.2%	93	0.5%	99	11.5%	89	14.3%	--	11/30/99
Performance Benchmark	-7.3	57	6.1	46	14.6	46	16.3	49	5.8	--	

PHILOSOPHY AND PROCESS

- Wasatch is a bottom-up qualitative manager that typically invests in companies that are ignored by Wall Street analysts because they are too small. The firm conducts hundreds of on-site research visits per year with companies that may or may not end up in their portfolios.

- In early December 2001, the portfolio was transitioned from the Small Cap Core Growth strategy to the Small Cap Growth strategy in an effort to move VCERA's total equity portfolio towards a higher degree of style neutrality. The portfolio's benchmark changed from the Russell 2000 to the Russell 2000 Growth as of December 31, 2001 as a result of the transition.

COMMENTARY ON INVESTMENT PERFORMANCE

- Wasatch's second-quarter return was -8.1%, which lagged the return of its performance benchmark by 0.8 percentage points. This quarter, the portfolio was hurt by holding a pronounced underweight to energy (0.9% vs. 6.7%) and financial services (8.7% vs. 11.2%), two sectors that performed well throughout the quarter. The portfolio also experienced poor stock selections within technology and healthcare.

- The portfolio's significant underweight to commodity-driven sectors (ie. energy) has also affected performance over the year-to-date and one-year periods as the energy sector has performed well during the past year.

- The manager's longer-term returns shown above all detracted value relative to the performance benchmark with the only exception being the since-inception return.

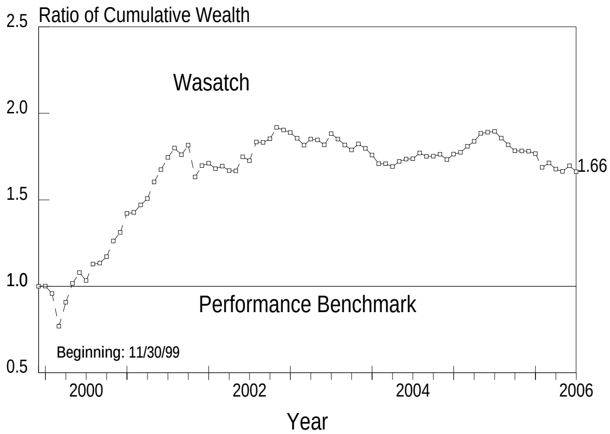
- The portfolio's guidelines were adjusted during the fourth quarter of 2005 and the maximum number of names allowed in the portfolio was increased to 120 names. At the end of the quarter, Wasatch's portfolio held 98 names and was within the parameters of their new guidelines.

WASATCH

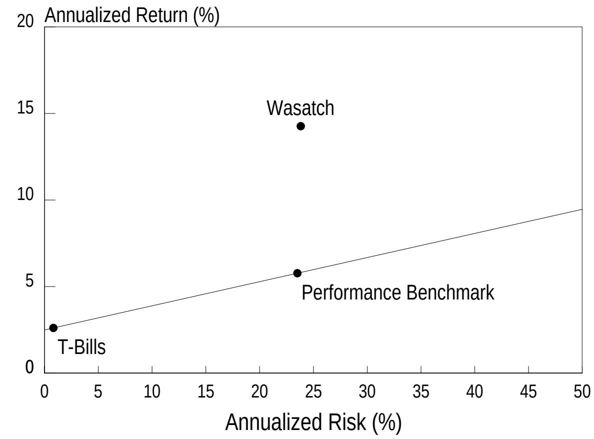
$78.3 Million and 3.0% of Fund

Second Quarter 2006

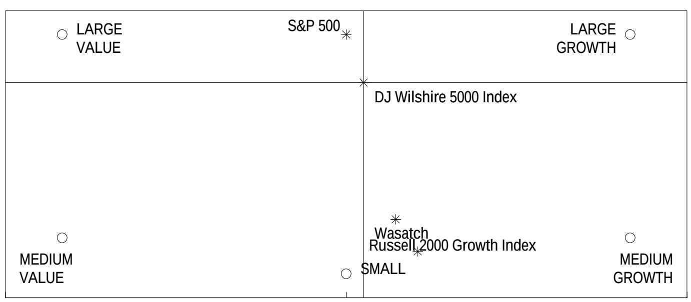
RATIO OF CUMULATIVE WEALTH
6 YEARS 7 MONTHS ENDING 6/30/06



ANNUALIZED RISK/RETURN
6 YEARS 7 MONTHS ENDING 6/30/06



EFFECTIVE STYLE MAP
6 YEARS 7 MONTHS ENDING 6/30/06



- The Ratio of Cumulative Wealth graph above (left) illustrates the manager's cumulative performance relative to that of the performance benchmark. As seen in the graph, the manager has consistently added value relative to its performance benchmark.

- The risk/return characteristics above (right) show the manager's return exceeded that of the Index, while incurring a slightly higher level of volatility.

- The style map shown above reflects VCERA's actual experience since switching from the small cap core strategy to the small cap growth strategy at year-end 2001. Data prior to that represents the manager's small cap growth composite history.

Second Quarter 2006

HISTORICAL RETURNS
(BY YEAR)

	Wasatch		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
1999 (1 month)	11.4%	--	11.3%	--	0.1
2000	37.6	1	-3.0	32	40.6
2001	23.5	4	2.5	15	21.0
2002	-23.0	24	-30.3	57	7.3
2003	38.3	86	48.5	46	-10.2
2004	14.7	30	14.3	31	0.4
2005	4.3	76	4.1	77	0.2
2006 (6 months)	-0.2	93	6.1	46	-6.3
Trailing 1-Year	0.5%	99	14.6%	46	-14.1
Trailing 3-Year	11.5	89	16.3	49	-4.8
Trailing 5-Year	3.6	55	4.6	48	-1.0
Since Inception (11/30/99)	14.3	--	5.8	--	8.5

- The table above shows the historical performance of the Wasatch portfolio. The 2000 calendar year saw a difference of over 40 percentage points between the manager's return and the benchmark. The 2001 calendar year return had a deviation of 21 percentage points between the returns of the portfolio and the Index. 2003 marked the only calendar year period for which performance of the Wasatch portfolio trailed that of the performance benchmark. The since-inception return positively deviates from that of the performance benchmark by 8.5 percentage points.

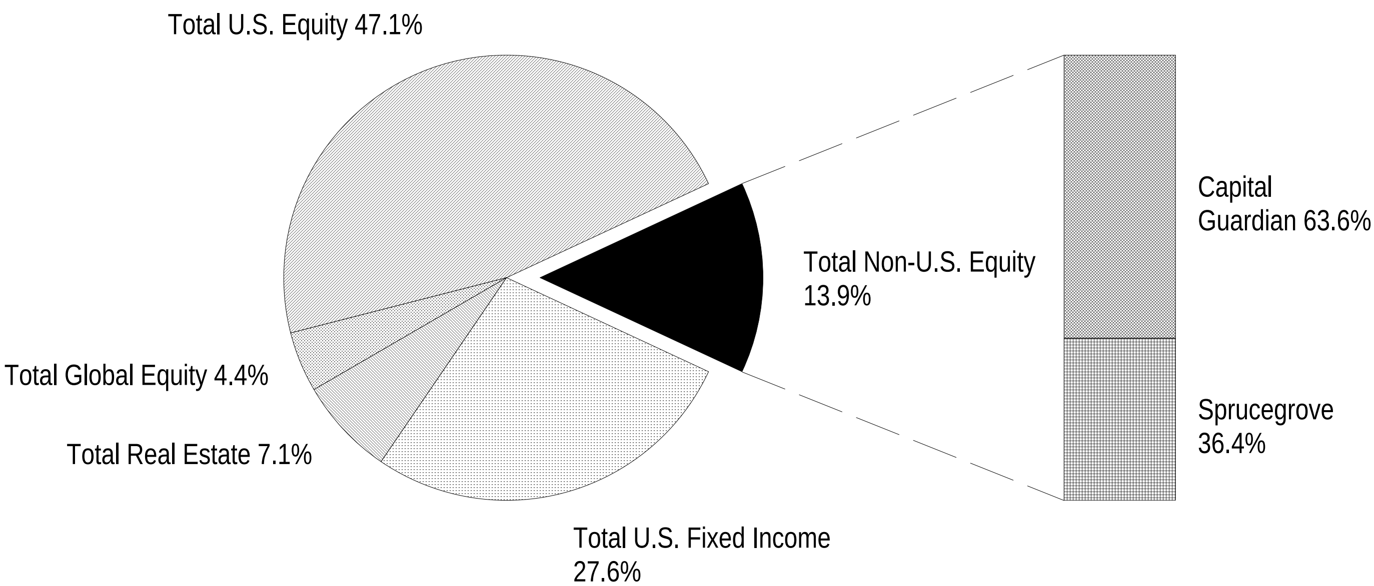
	Wasatch	Russell 2000 Growth
Capitalization Focus	Small	Small
Number of Holdings	98	1,376
Top 5 Holdings	O'Reilly Automotive, Inc. Knight Transportation, Inc. Copart Inc. FactSet Research Systems, Inc. United Surgical Partners Int'l	Hologic Inc. Formfactor Inc. Maverick Tube Corp. Aquantive Inc. Interdigital Communications Corp.
Sector Emphasis	Health Care	Consumer Discretionary
Cash Allocation	6.0%	0.0%
Total Strategy Assets	$0.9 Billion	--
Inception Date	11/30/99	--
Portfolio Manager(s)	Jeff Cardon	

TOTAL NON-U.S. EQUITY

$363.4 Million and 13.9% of Fund

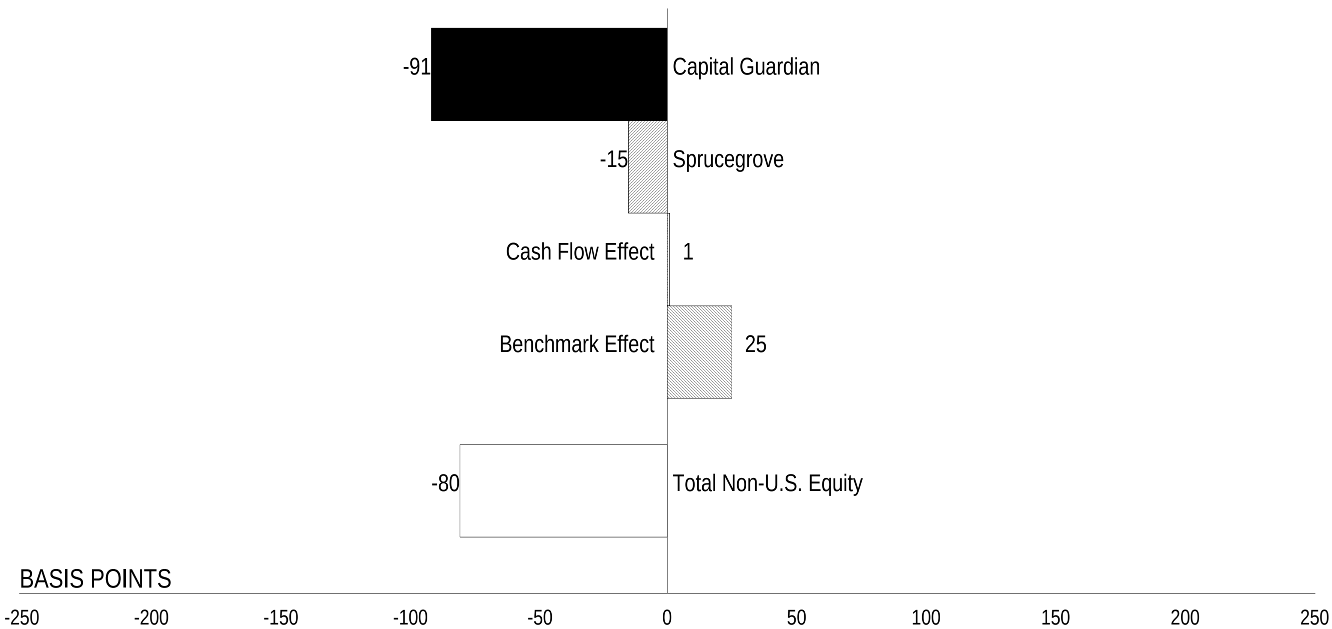
Second Quarter 2006

ASSET ALLOCATION AS OF 6/30/06

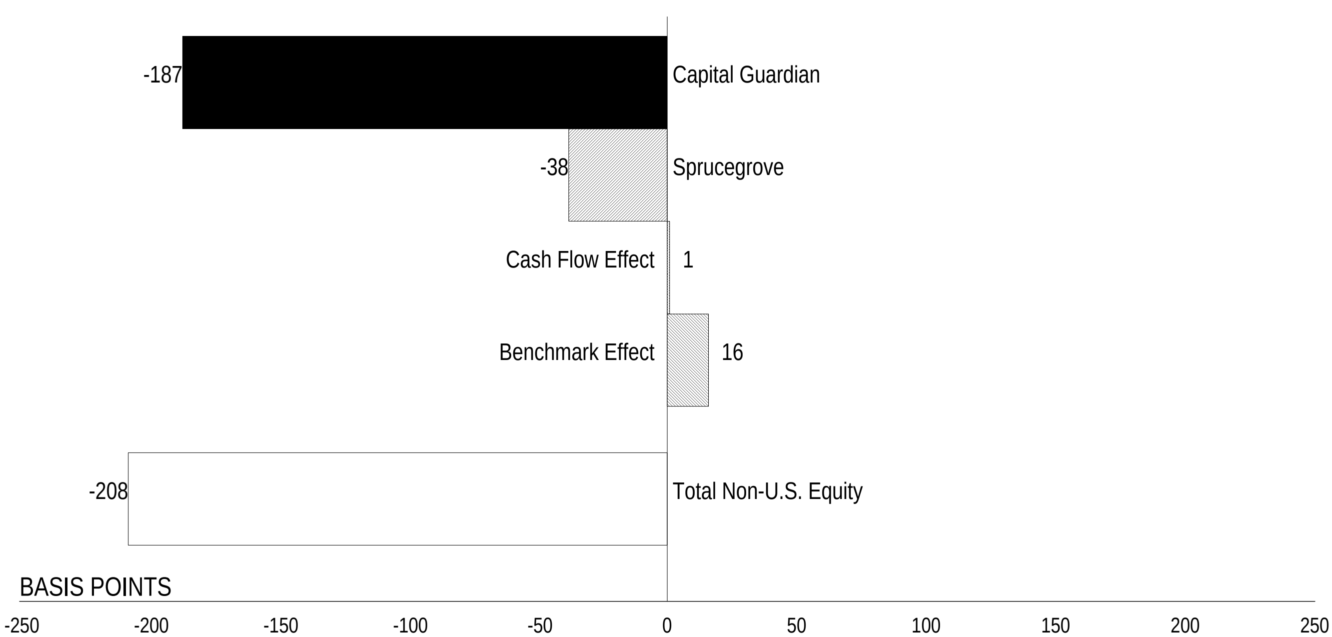


Second Quarter 2006

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/06



MANAGER ATTRIBUTION ANALYSIS
6 MONTHS ENDING 6/30/06



Second Quarter 2006

- Non-U.S. stocks, as measured by the MSCI All Country World ex-U.S. Index, also experienced a slowdown -- finishing flat for the quarter. Slower economic growth in developed markets, along with a tighter global monetary policy, hurt all international equity markets. These factors also affected emerging markets, which ended their run of stellar performance with a decline in the MSCI Emerging Markets Index of 4.3% during the quarter.

- The non-U.S. equity composite trailed the performance of its benchmark during the period by 0.8 percentage points. Both managers underperformed their respective benchmarks during the quarter.

- Both managers also detracted value during the year-to-date period and the total non-U.S equity portfolio underperformed the performance benchmark by 2.1 percentage points. Sprucegrove typically invests in developed market securities, Capital Guardian invests in the entire non-U.S. equity opportunity set. During the year-to-date period, emerging market securities underperformed developed market securities decreasing the performance of the composite's benchmark, the MSCI All Country World ex-U.S. Index this is shown on page 41 as the bar labeled benchmark effect.

- The performance benchmark for the total non-U.S. equity portfolio is the MSCI All-Country World Ex-U.S. Index. Prior to May 2002, the benchmark was the MSCI EAFE Index.

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		5 Years Ending 6/30/06		10 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Non-U.S. Equity	-0.8%	60	7.6%	73	27.6%	29	23.9%	42	11.3%	40	9.1%	30	9.5%	32	3/31/94
Performance Benchmark	-0.0	31	9.7	27	27.9	25	25.3	21	11.0	46	6.9	76	7.2	76	
Capital Guardian	-1.4	76	6.8	84	30.6	17	24.0	39	10.4	44	--	--	4.1	--	7/31/00
Performance Benchmark	-0.0	44	9.7	52	27.9	38	25.3	26	11.0	37	--	--	5.1	--	
Sprucegrove	0.3	34	9.1	60	22.7	88	23.7	45	--	--	--	--	16.4	20	3/31/02
MSCI EAFE Index	0.7	18	10.2	40	26.6	58	23.9	41	--	--	--	--	14.0	48	

CAPITAL GUARDIAN

$231.1 Million and 8.8% of Fund

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	-1.4%	76	6.8%	84	30.6%	17	24.0%	39	4.1%	--	7/31/00
Performance Benchmark	-0.0	44	9.7	52	27.9	38	25.3	26	5.1	--	

PHILOSOPHY AND PROCESS

- Capital Guardian refers to its investment approach as a multiple-manager system. Under this system, portfolios are divided among nine portfolio managers (75%) and the firm's research analysts (25%). Each sub-portfolio is invested in an individual portfolio at the discretion of the portfolio manager or analyst team. For the analysts' research portfolio, each analyst manages a small percentage of the portfolio based on their industry and/or country research responsibility. All stocks are selected from the firm's "buy" list of about 200 companies. To minimize transaction costs, all sales are posted to an internal list that other portfolio managers have the opportunity to buy. All portfolio managers have the discretion to hedge their portfolio.

- The firm's investment process is driven by value-oriented stock selection. The firm attempts to identify the difference between the underlying value of a company and its stock price through fundamental analysis and direct company contact. Individual company analysis is blended with the firm's macroeconomic and political judgments based on its outlook for world economies, industries, markets and currencies.

COMMENTARY ON INVESTMENT PERFORMANCE

- Capital Guardian's non-U.S. equity strategy posted a return of -1.4% during the quarter and underperformed its performance benchmark by 1.4 percentage points. A majority of the portfolio's underperformance was due to an overweight to and unfavorable stock selection within Japan. In particular, the manager's holdings in Japanese telecom and financial services sectors hurt relative results. The portfolio's performance was also negatively impacted by its underweight to strong performing U.K.

- Capital Guardian's portfolio also held a slight overweight to emerging market securities which trailed the return of the the MSCI All-Country World Ex-U.S. Index.

- With the exception of the one-year period, the manager has been unable to add value relative to its performance benchmark over the longer periods analyzed. Since inception, the portfolio's return trailed that of the benchmark by 1.0 percentage point annually.

Second Quarter 2006

COUNTRY ALLOCATION/RETURN
3 MONTHS ENDING 6/30/06

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.3%	0.4%	-2.0%
Belgium	0.4	0.9	0.8
Czech Republic*	--	0.1	-2.2
Denmark	0.3	0.6	0.5
Finland	1.3	1.2	-2.8
France	9.0	7.9	2.5
Germany	5.0	5.6	-0.3
Greece	--	0.5	-2.8
Hungary*	0.0	0.1	-8.2
Ireland	0.5	0.6	-0.0
Italy	0.3	3.0	4.2
Netherlands	4.6	2.6	-0.8
Norway	0.3	0.7	-0.6
Poland*	--	0.2	2.1
Portugal	--	0.3	0.5
Russia*	0.7	1.2	3.0
Spain	3.4	3.1	3.3
Sweden	0.8	1.9	-2.0
Switzerland	7.1	5.5	2.7
United Kingdom	14.2	19.4	4.9
Asia/Pacific			
Australia	2.4%	4.2%	3.7%
China*	0.9	1.3	1.9
Hong Kong	1.8	1.3	-0.1
India*	0.8	0.8	-9.3
Indonesia*	0.5	0.2	-2.1
Japan	25.0	19.6	-4.6
Korea*	3.4	2.4	-3.0
Malaysia*	0.4	0.4	-1.1
New Zealand	--	0.1	-7.5
Pakistan*	--	0.0	-16.5
Philippines*	0.0	0.1	-6.5
Singapore	0.4	0.7	0.3
Taiwan, China*	1.9	1.8	0.7
Thailand*	0.3	0.2	-5.1
Americas			
Argentina*	0.0%	0.1%	5.1%
Brazil*	1.2	1.5	-2.5
Canada	5.1	6.5	0.4
Chile*	0.0	0.2	-6.6
Colombia*	0.1	0.0	-31.4
Mexico*	2.1	0.8	-3.8
Peru*	--	0.1	15.3
United States	0.2	--	--
Venezuela*	--	0.0	0.8
Other			
Israel*	0.4%	0.4%	-11.5%
Jordan*	--	0.0	-10.5
South Africa*	2.4	1.2	-14.9
Turkey*	0.4	0.2	-29.6
Other Countries*	0.5	0.1	--
Cash	1.3	--	--
Total	100.0%	100.0%	-0.0%
Developed	82.5	86.6	
Emerging*	16.3	13.4	
Cash	1.3	--	

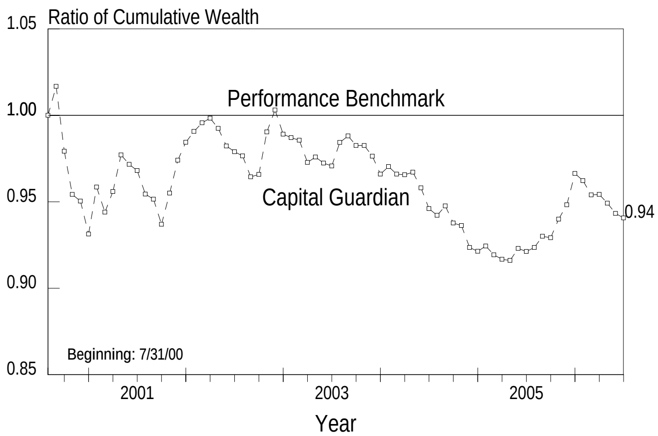
*Emerging market countries

CAPITAL GUARDIAN

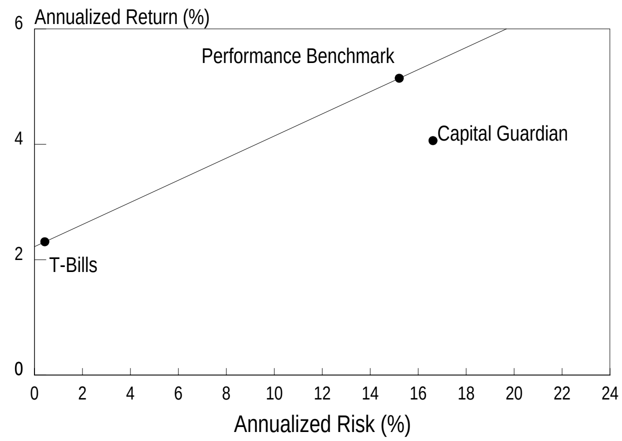
$231.1 Million and 8.8% of Fund

Second Quarter 2006

RATIO OF CUMULATIVE WEALTH
5 YEARS 11 MONTHS ENDING 6/30/06



ANNUALIZED RISK/RETURN
5 YEARS 11 MONTHS ENDING 6/30/06



- The graph above on the left illustrates that Capital Guardian's performance has lagged that of the Index since inception.
- The graph above on the right depicts the manager's risk and reward characteristics versus its benchmark. As shown, the manager's return was lower than that of the benchmark while taking on a greater level of risk over the since inception period.

Second Quarter 2006

HISTORICAL RETURNS
(BY YEAR)

	Capital Guardian		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
2000 (5 months)	-13.0%	--	-6.6%	--	-6.4
2001	-17.0	28	-21.4	54	4.4
2002	-15.4	53	-15.8	56	0.4
2003	37.5	44	40.8	21	-3.3
2004	15.3	70	20.9	28	-5.6
2005	22.3	10	16.6	38	5.7
2006 (6 months)	6.8	84	9.7	52	-2.9
Trailing 1-Year	30.6%	17	27.9%	38	2.7
Trailing 3-Year	24.0	39	25.3	26	-1.3
Trailing 5-Year	10.4	44	11.0	37	-0.6
Since Inception (7/31/00)	4.1	--	5.1	--	-1.0

SPRUCEGROVE

$132.4 Million and 5.0% of Fund

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	0.3%	34	9.1%	60	22.7%	88	23.7%	45	16.4%	20	3/31/02
MSCI EAFE Index	0.7	18	10.2	40	26.6	58	23.9	41	14.0	48	

PHILOSOPHY AND PROCESS

- Sprucegrove is a value manager, following a bottom-up approach, and seeking to invest in quality companies selling at attractive valuations. As a value manager, Sprucegrove believes that the international markets are inefficient and that through research, a disciplined valuation process to utilize that research and by maintaining a long term perspective, they can capitalize on mispricings in the market. Investment objectives are: to maximize the long-term rate of return while preserving the investment capital of the fund by avoiding investment strategies that expose fund assets to excessive risk; to outperform the benchmark over a full market cycle; and to achieve a high ranking relative to similar funds over a market cycle.

- High emphasis is given to balance sheet fundamentals, historical operating results, and company management. If a company is truly promising, the portfolio management team instructs the analyst to do a full research report to ensure the company qualifies for inclusion in Sprucegrove's investable universe. There are approximately 300 companies on Sprucegrove's working list.

COMMENTARY ON INVESTMENT PERFORMANCE

- Sprucegrove's second-quarter return trailed that of the benchmark by 0.4 percentage points. The portfolio's results were hindered by poor stock selections in the U.K., which was one of the stronger performing countries in the Index. Also, the fund held a 10.1% out-of-benchmark allocation to emerging markets which trailed the results of the MSCI EAFE Index during the quarter. Conversely, the Fund's significant underweighting to Japan (11.6% vs. 24.5%) was beneficial in the second quarter.

- The weakest performing securities within the Sprucegrove portfolio during the second quarter included Carnival (-22.2%), Robinson (-22.1%), and Johnson Electric (-22.1%).

- The manager's longer term returns shown above have been mixed compared with those of the MSCI EAFE Index. The year-to-date, one-, and three-year returns lagged the benchmark, but since-inception the portfolio has outperformed.

Second Quarter 2006

COUNTRY ALLOCATION/RETURN
3 MONTHS ENDING 6/30/06

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	--	0.6%	-2.0%
Belgium	--	1.1	0.8
Czech Republic*	--	--	-2.2
Denmark	0.5%	0.7	0.5
Finland	0.3	1.5	-2.8
France	3.6	9.8	2.5
Germany	3.3	7.0	-0.3
Greece	1.0	0.7	-2.8
Hungary*	0.4	--	-8.2
Ireland	6.3	0.8	-0.0
Italy	2.8	3.8	4.2
Netherlands	3.3	3.3	-0.8
Norway	0.2	0.9	-0.6
Poland*	--	--	2.1
Portugal	--	0.3	0.5
Russia*	--	--	3.0
Spain	2.1	3.8	3.3
Sweden	--	2.4	-2.0
Switzerland	10.5	6.8	2.7
United Kingdom	26.9	24.1	4.9
Asia/Pacific			
Australia	2.3%	5.3%	3.7%
China*	0.6	--	1.9
Hong Kong	5.2	1.6	-0.1
India*	--	--	-9.3
Indonesia*	--	--	-2.1
Japan	11.6	24.5	-4.6
Korea*	2.0	--	-3.0
Malaysia*	0.5	--	-1.1
New Zealand	--	0.1	-7.5
Pakistan*	--	--	-16.5
Philippines*	--	--	-6.5
Singapore	3.3	0.8	0.3
Sri Lanka*	--	--	-4.6
Taiwan, China*	--	--	0.7
Thailand*	--	--	-5.1
Americas			
Argentina*	--	--	5.1%
Brazil*	2.1%	--	-2.5
Canada	3.5	--	0.4
Chile*	--	--	-6.6
Colombia*	--	--	-31.4
Mexico*	3.4	--	-3.8
Peru*	--	--	15.3
Venezuela*	--	--	0.8
Other			
Israel*	--	--	-11.5%
Jordan*	--	--	-10.5
South Africa*	1.1%	--	-14.9
Turkey*	--	--	-29.6
Cash	3.0	--	--
Total	100.0%	100.0%	0.7%
Developed	86.9	100.0	
Emerging*	10.1	--	
Cash	3.0	--	

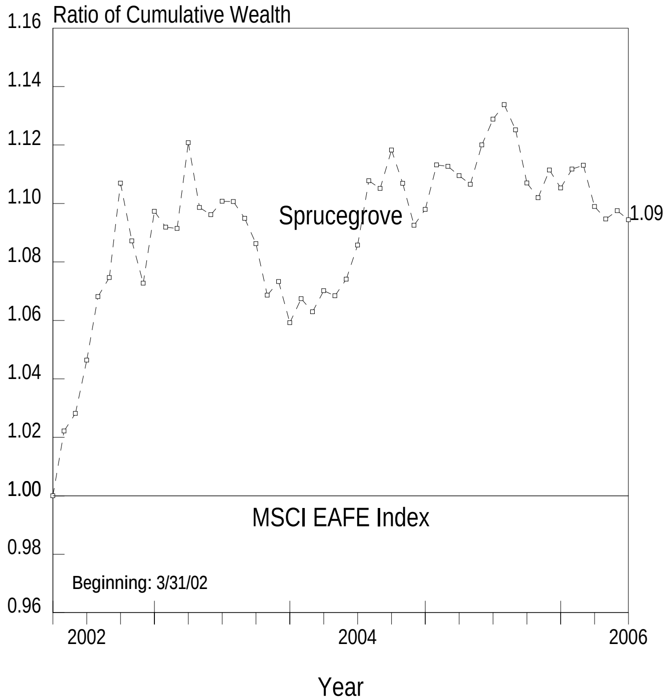
*Emerging market countries

SPRUCEGROVE

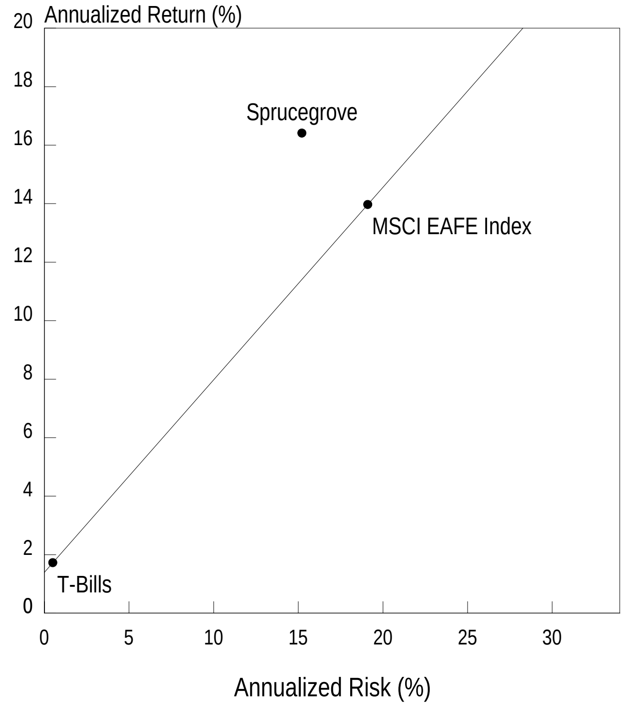
$132.4 Million and 5.0% of Fund

Second Quarter 2006

RATIO OF CUMULATIVE WEALTH
4 YEARS 3 MONTHS ENDING 6/30/06



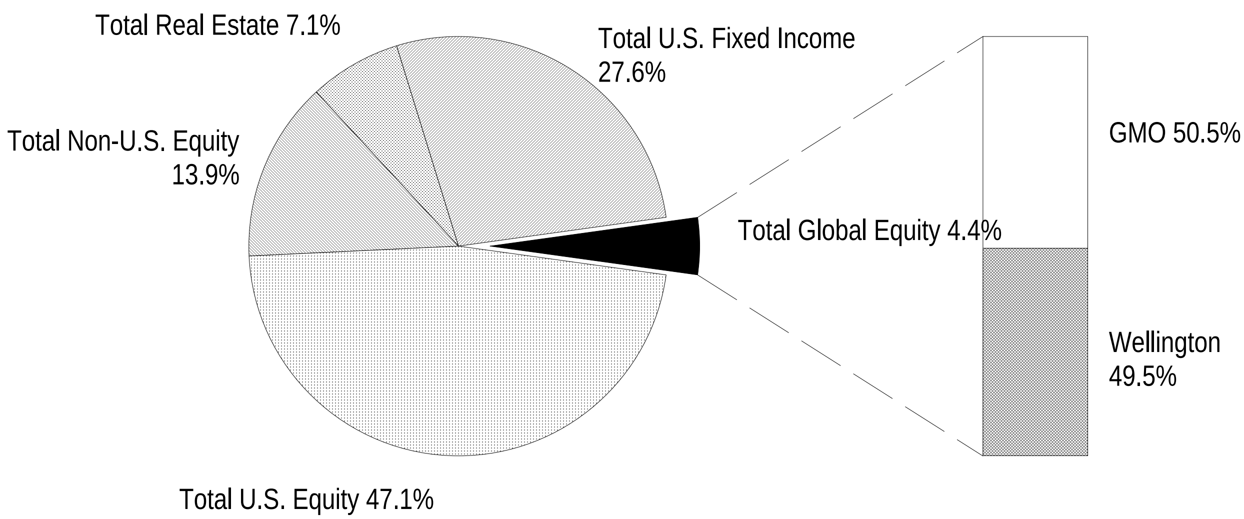
ANNUALIZED RISK/RETURN
4 YEARS 3 MONTHS ENDING 6/30/06



- The graph above illustrates that Sprucegrove's performance has exceeded that of the Index since inception.
- The chart shown above depicts the historical risk (volatility of returns) and return of Sprucegrove and the benchmark. As shown, the manager has produced a greater return than the benchmark at a modestly lower amount of risk.

Second Quarter 2006

ASSET ALLOCATION AS OF 6/30/06



TOTAL GLOBAL EQUITY

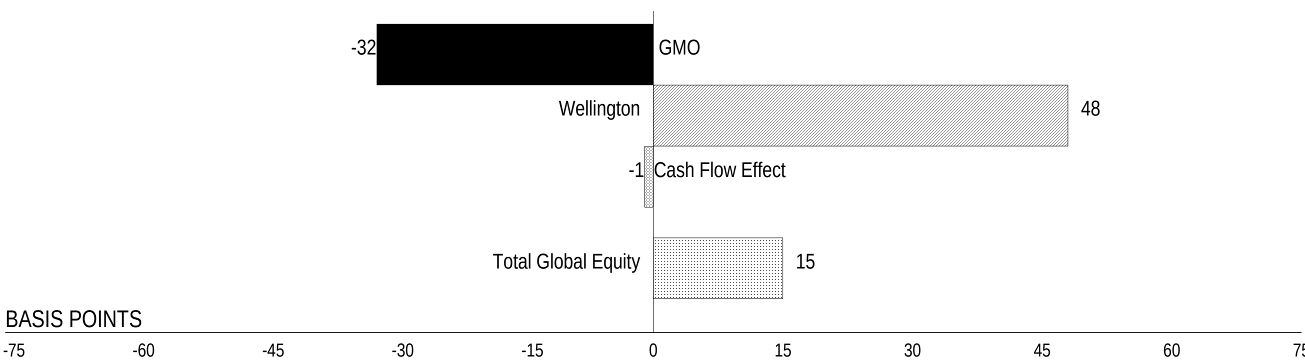
$114.5 Million and 4.4% of Fund

Second Quarter 2006

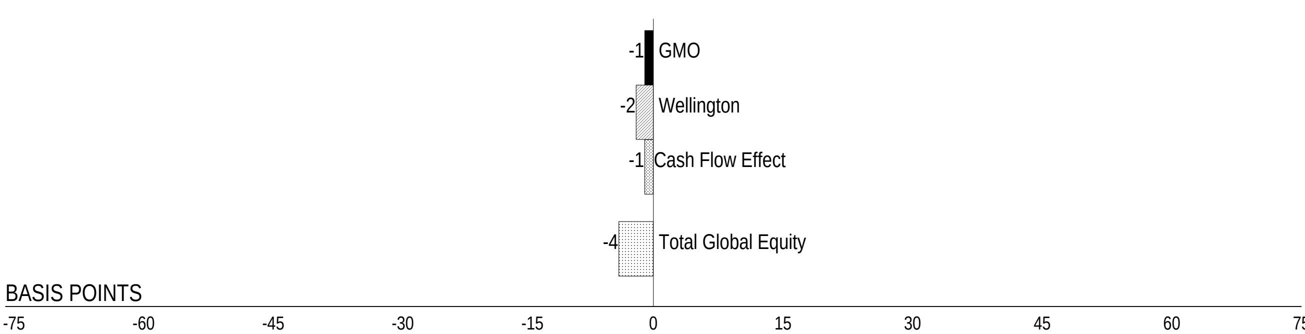
RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	-0.6%	37	6.1%	54	16.3%	76	16.5%	--	4/30/05
MSCI All-Country World Index	-0.8	40	6.1	54	18.0	65	18.1	--	
GMO	-1.4	56	6.1	54	17.1	69	17.5	--	4/30/05
MSCI All-Country World Index	-0.8	40	6.1	54	18.0	65	18.1	--	
Wellington	0.2	27	6.1	54	15.5	82	15.8	--	5/31/05
MSCI All-Country World Index	-0.8	40	6.1	54	18.0	65	17.6	--	

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/06



MANAGER ATTRIBUTION ANALYSIS
6 MONTHS ENDING 6/30/06



Second Quarter 2006

- During the quarter, the global equity market, as represented by the MSCI All-Country World Index, declined 0.8%. Performance was driven by the U.S. equity market, representing roughly half of the benchmark. The collective return of emerging market countries also hindered performance.

- The total global equity portfolio return of -0.6% during the second quarter exceeded the return of the MSCI All-Country World Index. Wellington contributed positively to results, but the underperformance of the GMO portfolio tempered results.

- VCERA allocated a policy weight of 4.0% to the global equity segment of the market during the second quarter of 2005.

GMO

$57.9 Million and 2.2% of Fund

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
GMO	-1.4%	56	6.1%	54	17.1%	69	17.5%	--	4/30/05
MSCI All-Country World Index	-0.8	40	6.1	54	18.0	65	18.1	--	

PHILOSOPHY AND PROCESS

- Grantham Mayo Van Otterloo's (GMO) Global Asset Allocation strategy uses quantitative methods to allocate among the firm's mutual funds including U.S. equity, non-U.S. developed market equity, emerging markets, fixed income, and real estate funds. GMO attempts to add value from allocations across sectors as well as security selection within sectors. The firm desires to make large bets on a few high-conviction opportunities, while still incurring less absolute risk than the benchmark.

- GMO does not employ a traditional team of fundamental security analysts. Instead, they attempt to exploit market inefficiencies by evaluating asset classes and individual securities largely through quantitative analysis. They believe their edge lies in their ability to interpret already available information, as opposed to an explicit information edge. Although the process will consider both valuation and momentum factors in selecting stocks, the portfolio will tend to exhibit value characteristics.

COMMENTARY ON INVESTMENT PERFORMANCE

- GMO's global equity strategy returned -1.4% during the second quarter and underperformed the benchmark by 0.6 percentage points. Despite GMO's underweight to U.S. equities during the quarter, the portfolio was hindered by holding 'quality' U.S. equities (low debt, stable profits) which lagged their higher risk counterparts domestically. The portfolio also held a 6.2% allocation to emerging markets, which hurt results during the quarter.

- The portfolio continued to be underweight U.S. securities in favor of international equities which continued to outperform during the quarter.

- Performance over the since-inception period trailed the return of the Index.

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Wellington	0.2%	27	6.1%	54	15.5%	82	15.8%	--	5/31/05
MSCI All-Country World Index	-0.8	40	6.1	54	18.0	65	17.6	--	

PHILOSOPHY AND PROCESS

- The Wellington Global Research Equity portfolio focuses on stock selection within industries; industry weights are kept similar to those of the MSCI All Country World Index. The strategy is formally re-balanced to the industry weight of the Index on a quarterly basis. Country weights are a result of the security selection process. The Global Research Equity strategy consists of multiple sub-portfolios, each actively managed by one of Wellington's global industry analysts. The allocation of assets to each of the sub-portfolios corresponds to the relative weight of each research analyst's coverage of the MSCI All Country World Index. Each analyst can hold up to the number of stocks equal to their benchmark weight plus one.

COMMENTARY ON INVESTMENT PERFORMANCE

- Wellington's second quarter return exceeded that of the MSCI All Country World Index by 1.0 percentage points. Positive stock selection in consumer discretionary, utilities and financials aided relative performance. Key contributors within these sectors included Marks & Spencer (U.K.), E. On (Germany) and Bank of America (U.S.). On the other hand, weak stock selection in telecom and information technology sectors were a drag on results. The manager's overweight position to the U.S. also detracted from performance as U.S. lagged the returns of the overall non-U.S. equity market during the last quarter. Among individual holdings, Sprint (U.S.) and Electronic Arts (U.S.) were the main detractors.

- Since inception, the manager's return lagged that of the benchmark by 1.8 percentage points.

WELLINGTON

$56.7 Million and 2.2% of Fund

Second Quarter 2006

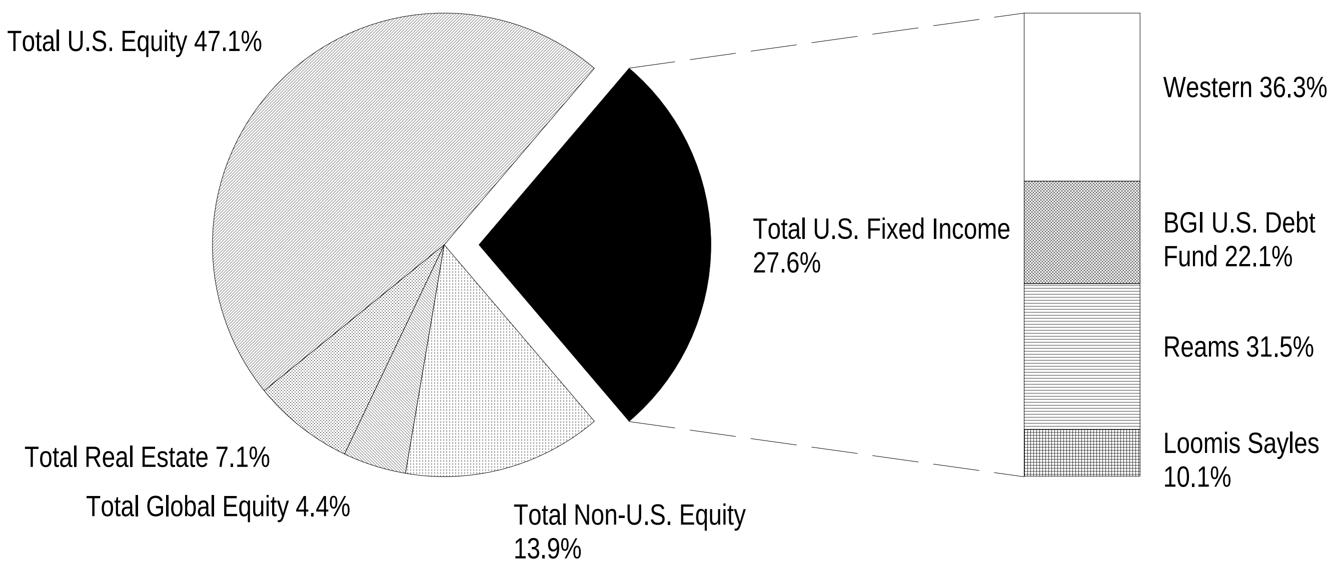
COUNTRY ALLOCATION/RETURN
3 MONTHS ENDING 6/30/06

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	--	0.2%	-2.0%
Belgium	--	0.5	0.8
Czech Republic*	--	0.1	-2.2
Denmark	--	0.3	0.5
Finland	0.2%	0.6	-2.8
France	8.7	4.3	2.5
Germany	4.0	3.0	-0.3
Greece	--	0.3	-2.8
Hungary*	--	0.1	-8.2
Ireland	1.4	0.3	-0.0
Italy	2.3	1.6	4.2
Netherlands	1.7	1.4	-0.8
Norway	1.2	0.4	-0.6
Poland*	--	0.1	2.1
Portugal	--	0.1	0.5
Russia*	0.5	0.6	3.0
Spain	2.5	1.7	3.3
Sweden	1.5	1.0	-2.0
Switzerland	3.6	3.0	2.7
United Kingdom	5.5	10.5	4.9
Asia/Pacific			
Australia	1.1%	2.3%	3.7%
China*	0.2	0.7	1.9
Hong Kong	0.4	0.7	-0.1
India*	--	0.4	-9.3
Indonesia*	--	0.1	-2.1
Japan	6.5	10.6	-4.6
Korea*	0.9	1.3	-3.0
Malaysia*	--	0.2	-1.1
New Zealand	--	0.1	-7.5
Pakistan*	--	0.0	-16.5
Philippines*	0.4	0.0	-6.5
Singapore	--	0.4	0.3
Taiwan, China*	0.9	1.0	0.7
Thailand*	--	0.1	-5.1
Americas			
Argentina*	--	0.1%	5.1%
Brazil*	1.0%	0.8	-2.5
Canada	1.7	3.5	0.4
Chile*	--	0.1	-6.6
Colombia*	--	0.0	-31.4
Mexico*	--	0.4	-3.8
Peru*	--	0.0	15.3
United States	52.8	45.9	-1.7
Venezuela*	--	0.0	0.8
Other			
Israel*	--	0.2%	-11.5%
Jordan*	--	0.0	-10.5
South Africa*	0.2%	0.7	-14.9
Turkey*	0.5	0.1	-29.6
Other Countries*	--	0.0	--
Cash	0.3	--	--
Total	100.0%	100.0%	-0.8%
Developed	95.1	92.8	
Emerging*	4.5	7.2	
Cash	0.3	--	

*Emerging market countries

Second Quarter 2006

ASSET ALLOCATION AS OF 6/30/06

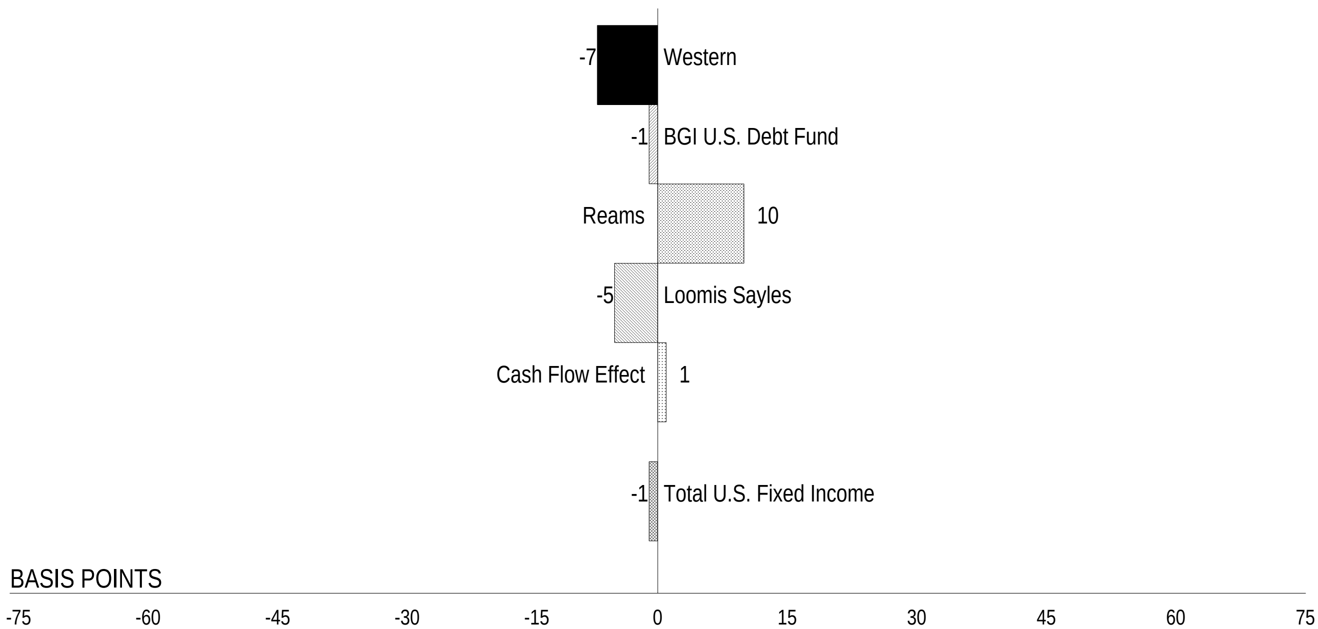


TOTAL U.S. FIXED INCOME

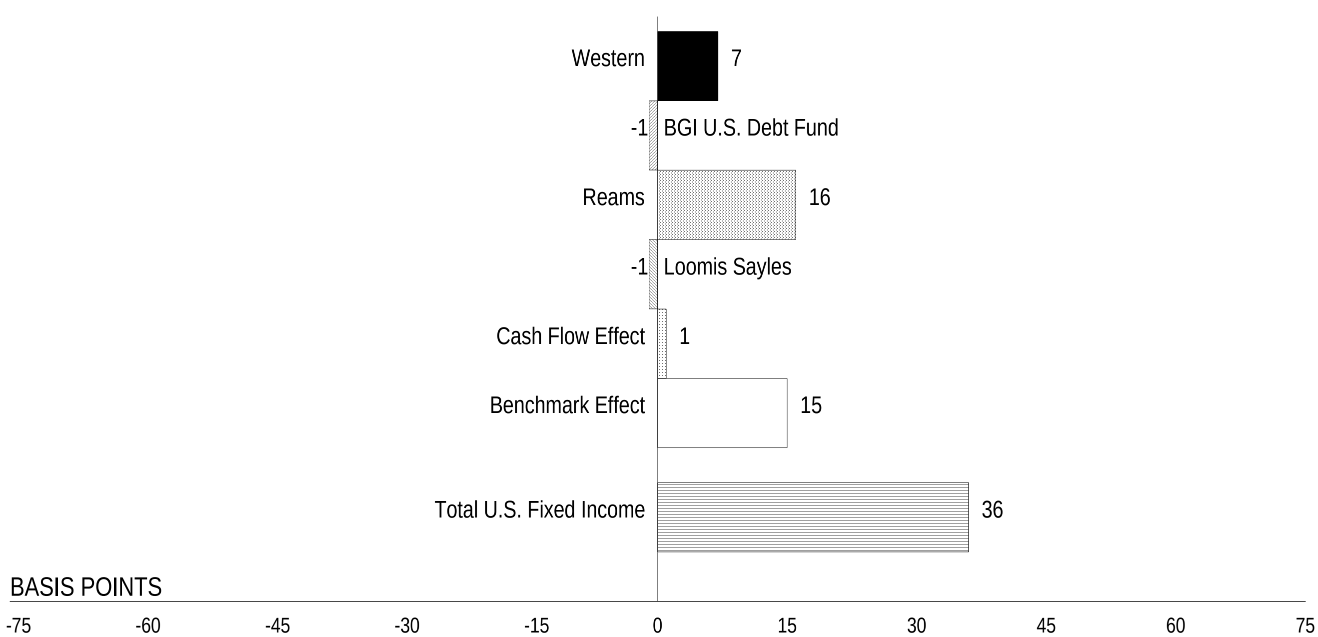
$724.4 Million and 27.6% of Fund

Second Quarter 2006

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/06



MANAGER ATTRIBUTION ANALYSIS
6 MONTHS ENDING 6/30/06



Second Quarter 2006

- The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, declined 0.1% during the quarter. Most sectors within the Index were flat for the quarter with the exception of corporates, which declined 0.4%, and asset-backed securities, which gained 0.4%. All U.S. Treasury yields rose, ending the quarter with a slightly inverted yield curve.

- The fixed income portfolio's performance equated that of the Lehman Brothers Aggregate Bond Index during the quarter. Strong relative performance from Reams helped to offset the underperformance of Western and Loomis Sayles. The component's passive option, BGI, successfully tracked its benchmark during the quarter.

- The long-term performance of the fixed income portfolio remained favorable as the portfolio added value relative to the Index over all time periods shown on the following page with the exception of the since-inception period.

TOTAL U.S. FIXED INCOME

$724.4 Million and 27.6% of Fund

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		5 Years Ending 6/30/06		10 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	-0.1%	45	-0.4%	40	0.1%	29	3.1%	23	5.5%	36	6.5%	28	6.1%	--	2/28/94
LB Aggregate Bond Index	-0.1	45	-0.7	61	-0.8	64	2.1	66	5.0	56	6.2	47	6.1	--	
Western	-0.3	84	-0.5	28	-0.4	31	3.7	5	6.5	4	--	--	6.9	3	12/31/96
LB Aggregate Bond Index	-0.1	36	-0.7	51	-0.8	60	2.1	56	5.0	46	--	--	6.0	39	
BGI U.S. Debt Fund	-0.1	36	-0.8	61	-0.9	67	2.0	66	5.0	46	6.2	40	5.9	--	11/30/95
LB Aggregate Bond Index	-0.1	36	-0.7	51	-0.8	60	2.1	56	5.0	46	6.2	40	5.9	--	
Reams	0.2	5	-0.2	10	1.4	2	3.5	7	--	--	--	--	4.3	48	9/30/01
LB Aggregate Bond Index	-0.1	36	-0.7	51	-0.8	60	2.1	56	--	--	--	--	4.2	55	
Loomis Sayles	-0.5	--	0.7	--	--	--	--	--	--	--	--	--	1.5	--	7/31/05
Performance Benchmark	0.1	--	0.8	--	--	--	--	--	--	--	--	--	1.3	--	

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		5 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	-0.3%	84	-0.5%	28	-0.4%	31	3.7%	5	6.5%	4	6.9%	3	12/31/96
LB Aggregate Bond Index	-0.1	36	-0.7	51	-0.8	60	2.1	56	5.0	46	6.0	39	

PHILOSOPHY AND PROCESS

- Western Asset Management seeks to add value in fixed income accounts by employing multiple investment strategies while controlling risk. Western is an active sector rotator and attempts to exploit market inefficiencies by making opportunistic trades. The firm emphasizes non-Treasury sectors such as corporate and mortgages. The firm's team approach to fixed income management revolves around an investment outlook developed by the Investment Strategy Group. This group interacts on a daily basis, evaluating developments in both the market and the economy. Additionally, the group meets formally twice a month to review its outlook and investment strategy.

COMMENTARY ON INVESTMENT PERFORMANCE

- Western's second-quarter return of -0.3% trailed that of the LB Aggregate Bond Index by approximately 20 basis points. The manager's long duration position (5.4 years versus the Index's 4.8 years) detracted as interest rates rose during the quarter. Western's mortgage allocation also hurt relative results as sector exposure was above-benchmark on a contribution-to-duration basis (2.5 years versus the Index's 1.8 years). The portfolio's modest exposure to Treasury Inflation-Protected Securities (TIPS) was beneficial to performance.

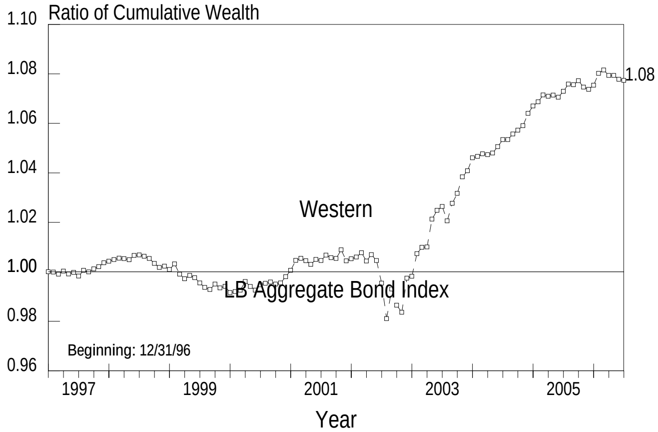
- The manager has added a significant level of value during all longer time periods analyzed and ranks well within a universe of its fixed income peers.

WESTERN

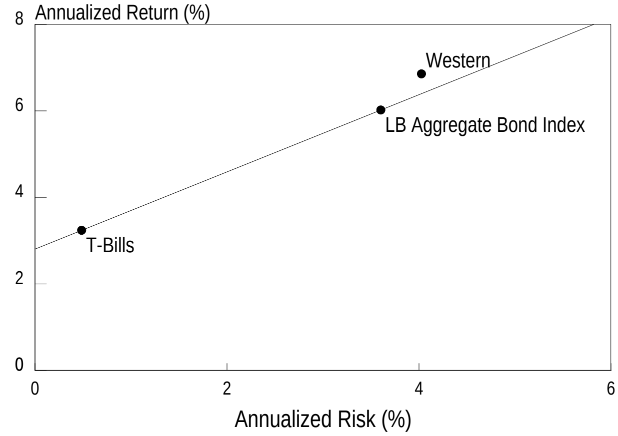
$263.4 Million and 10.0% of Fund

Second Quarter 2006

RATIO OF CUMULATIVE WEALTH
9 YEARS 6 MONTHS ENDING 6/30/06



ANNUALIZED RISK/RETURN
9 YEARS 6 MONTHS ENDING 6/30/06



- The Ratio of Cumulative Wealth graph shown above on the left illustrates the manager's cumulative performance relative to that of the Aggregate Bond Index. As seen in the graph, the manager's performance has exceeded that of the performance benchmark since inception. Performance in mid-2002 was especially trying for the manager. However, the manager experienced a subsequent turn-around in performance during 2003.

- The second graph above on the right illustrates the risk/return characteristics of the Western portfolio relative to the Aggregate Bond Index. As shown in the graph, the manager's return exceeded that of the benchmark with a slightly greater level of volatility.

Second Quarter 2006

HISTORICAL RETURNS
(BY YEAR)

	Western		LB Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
1997	10.1%	30	9.7%	50	0.4
1998	8.3	55	8.7	41	-0.4
1999	-1.7	78	-0.8	49	-0.9
2000	12.6	10	11.6	42	1.0
2001	8.9	15	8.4	38	0.5
2002	9.5	42	10.3	23	-0.8
2003	9.1	5	4.1	68	5.0
2004	6.4	5	4.3	57	2.1
2005	3.2	8	2.4	57	0.8
2006 (6 months)	-0.5	28	-0.7	51	0.2
Trailing 1-Year	-0.4%	31	-0.8%	60	0.4
Trailing 3-Year	3.7	5	2.1	56	1.6
Trailing 5-Year	6.5	4	5.0	46	1.5
Since Inception (12/31/96)	6.9	3	6.0	39	0.9

- The table above shows Western's' historical performance relative to that of the Index. Since inception, the manager's return exceeded that of the benchmark.

- The table below shows Western's portfolio characteristics compared with those of the Aggregate Bond Index.

	Western Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 3/31/06	% at 6/30/06	% at 6/30/06	Second Quarter Return
Sector Weightings:				
Treasury/Agency	18 %	16 %	36 %	-0.1 %
Corporate	22	21	23	-0.4
Mortgage-Related	50	48	40	0.0
Asset-Backed	1	1	1	0.4
Foreign Bonds	6	6	--	--
Other	--	--	--	--
Cash & Equiv.	3	8	--	--
Total	100 %	100 %	100 %	-0.1 %
Average Duration	5.6 years	5.4 years	4.8 years	--

BGI U.S. DEBT FUND

$159.9 Million and 6.1% of Fund

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		10 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI U.S. Debt Fund	-0.1%	36	-0.8%	61	-0.9%	67	2.0%	66	6.2%	40	5.9%	--	11/30/95
LB Aggregate Bond Index	-0.1	36	-0.7	51	-0.8	60	2.1	56	6.2	40	5.9	--	

PHILOSOPHY AND PROCESS

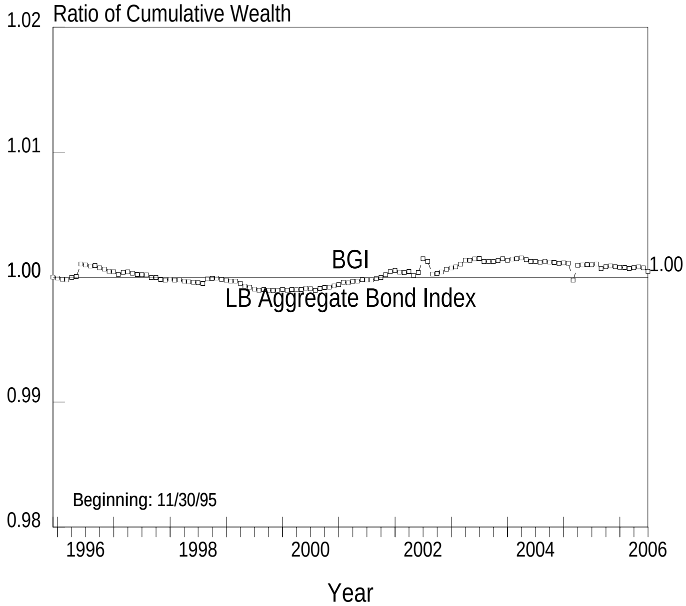
- The BGI U.S. Debt Fund is an index fund which is designed to replicate the performance of the Aggregate Bond Index. The U.S. Debt Fund is constructed by holding 7 different sub-funds that track specific sector/maturity combinations of the Lehman Brothers Aggregate Bond Index.

COMMENTARY ON INVESTMENT PERFORMANCE

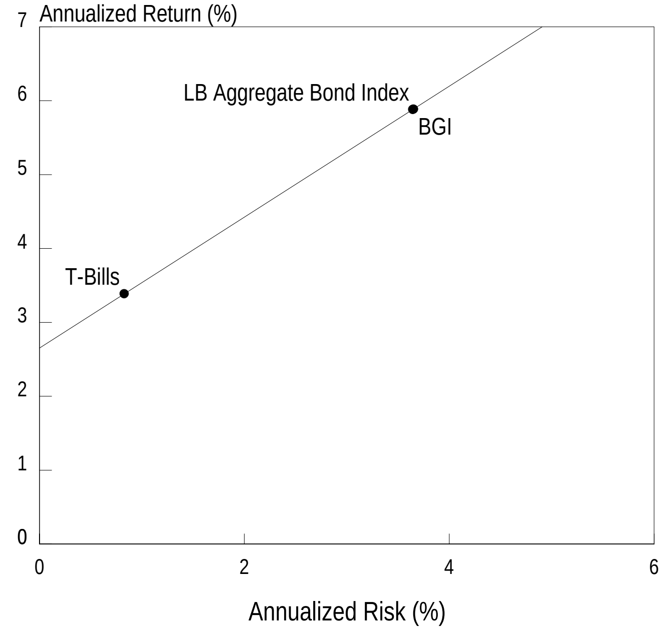
- The BGI U.S. Debt Fund successfully tracked the performance of the Aggregate Bond Index during the second quarter. The longer-term returns shown above also successfully tracked those of the Aggregate Bond Index.

Second Quarter 2006

RATIO OF CUMULATIVE WEALTH
10 YEARS 7 MONTHS ENDING 6/30/06



ANNUALIZED RISK/RETURN
10 YEARS 7 MONTHS ENDING 6/30/06



- The Ratio of Cumulative Wealth and Risk/Return graphs above show how similar the Aggregate Bond Index and BGI have performed since the inception of the portfolio.

BGI U.S. DEBT FUND

$159.9 Million and 6.1% of Fund

Second Quarter 2006

HISTORICAL RETURNS

(BY YEAR)

	BGI U.S. Debt Fund		LB Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
1995 (1 month)	1.4%	--	1.4%	--	0.0
1996	3.7	46	3.6	50	0.1
1997	9.6	58	9.7	50	-0.1
1998	8.7	41	8.7	41	0.0
1999	-0.9	53	-0.8	49	-0.1
2000	11.7	36	11.6	42	0.1
2001	8.6	31	8.4	38	0.2
2002	10.3	23	10.3	23	0.0
2003	4.2	66	4.1	68	0.1
2004	4.3	57	4.3	57	0.0
2005	2.4	57	2.4	57	0.0
2006 (6 months)	-0.8	61	-0.7	51	-0.1
Trailing 1-Year	-0.9%	67	-0.8%	60	-0.1
Trailing 3-Year	2.0	66	2.1	56	-0.1
Trailing 5-Year	5.0	46	5.0	46	0.0
Since Inception (11/30/95)	5.9	--	5.9	--	0.0

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter		Year-to-Date		1 Year Ending 6/30/06		3 Years Ending 6/30/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	0.2%	5	-0.2%	10	1.4%	2	3.5%	7	4.3%	48	9/30/01
LB Aggregate Bond Index	-0.1	36	-0.7	51	-0.8	60	2.1	56	4.2	55	

PHILOSOPHY AND PROCESS

- Reams' investment process revolves around the manager's ability to combine top-down macroeconomic portfolio positioning with bottom-up bond selection. The top-down interest rate positioning is somewhat contrarian in that the manager uses real interest rates to gauge when the market is expensive and when it is cheap, increasing duration when the market is cheap and decreasing duration when it is expensive.

- The manager attempts to exploit its relatively small size and uncover issues not widely followed by Wall Street. The manager prefers to hold securities by underlying collateral. The firm tends to avoid residential mortgages in favor of commercial mortgages.

COMMENTARY ON INVESTMENT PERFORMANCE

- Reams outperformed the Lehman Aggregate Bond Index by approximately 30 basis points during the second quarter. The manager's underweight allocation to credit was beneficial to relative results as the sector underperformed comparable duration Treasuries by 19 basis points. The portfolio also gained from its exposure to the auto sector. The portfolio's duration position also aided relative results through much of the quarter.

- For most of the quarter the manager was positioned with a defensive duration position. However, throughout the quarter portfolio duration was increased and ended the quarter slightly higher than the Index. The manager also further reduced it's exposure to investment grade credits during the quarter.

- The portfolio's one-year performance exceeded that of the Index by 2.2 percentage points. The result was aided heavily by the proceeds from the WorldCom settlement which occurred during the fourth quarter of 2005.

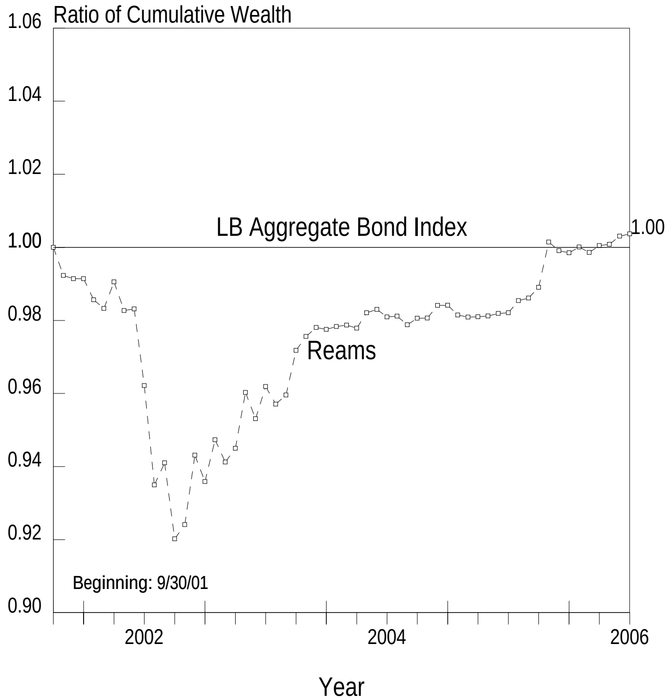
- Reams' holdings in Enron, and the aforementioned WorldCom, coupled with losses sustained from their holdings in airline Enhanced Equipment Trust Certificates (EETCs), which fell sharply during the latter portion of the third and entire fourth quarters of 2001 and most of 2002, constitute the bulk of the portfolio's negative performance since the inception of the portfolio. The manager has offset these losses over the past 36 months with good performance and last quarter's WorldCom lawsuit recovery.

REAMS

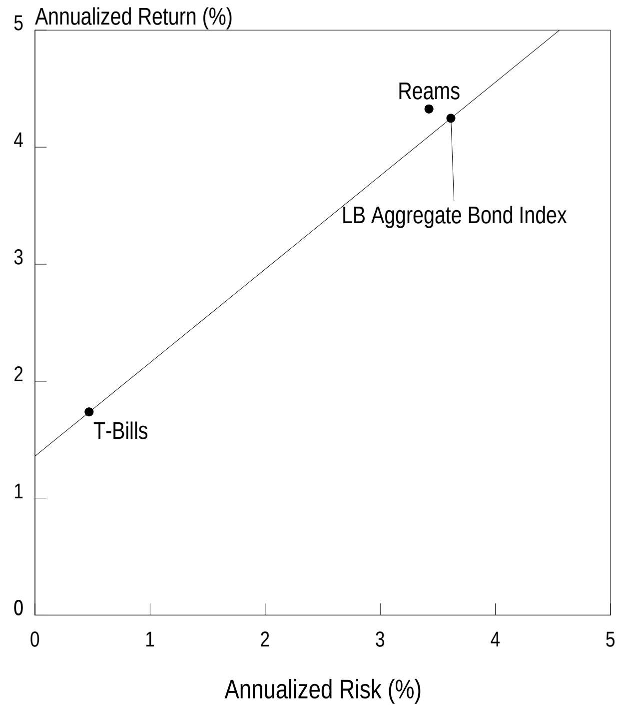
$228.0 Million and 8.7% of Fund

Second Quarter 2006

RATIO OF CUMULATIVE WEALTH
4 YEARS 9 MONTHS ENDING 6/30/06



ANNUALIZED RISK/RETURN
4 YEARS 9 MONTHS ENDING 6/30/06



- The graph on the left illustrates that Reams' performance has slightly exceeded that of the Index since inception.
- The second graph depicts the historical risk (volatility of returns) and return of Reams and the benchmark. As shown, since the inception of the strategy, the manager's performance slightly exceeded that of the benchmark with a moderately lower level of volatility.

Second Quarter 2006

HISTORICAL RETURNS
(BY YEAR)

	Reams		LB Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2001 (3 months)	-0.8%	90	0.0%	53	-0.8
2002	4.1	97	10.3	23	-6.2
2003	8.7	7	4.1	68	4.6
2004	5.0	22	4.3	57	0.7
2005	3.9	4	2.4	57	1.5
2006 (6 months)	-0.2	10	-0.7	51	0.5
Trailing 1-Year	1.4%	2	-0.8%	60	2.2
Trailing 3-Year	3.5	7	2.1	56	1.4
Since Inception (9/30/01)	4.3	48	4.2	55	0.1

- The table above shows Reams' historical performance relative to that of the Index. Since inception, the manager has matched the benchmark.

- The table below shows Reams' portfolio characteristics compared with those of the Aggregate Bond Index.

	Reams Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 3/31/06	% at 6/30/06	% at 6/30/06	Second Quarter Return
Sector Weightings:				
Treasury/Agency	20 %	17 %	36 %	-0.1 %
Corporate	18	17	23	-0.4
Mortgage-Related	57	57	40	0.0
Asset-Backed	1	--	1	0.4
Foreign Bonds	--	--	--	--
Other	--	--	--	--
Cash & Equiv.	4	9	--	--
Total	100 %	100 %	100 %	-0.1 %
Average Duration	4.8 years	5.1 years	4.8 years	--

LOOMIS SAYLES

$73.1 Million and 2.8% of Fund

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter	Year-to-Date	Since Inception	Inception Date
Loomis Sayles	-0.5%	0.7%	1.5%	7/31/05
Performance Benchmark	0.1	0.8	1.3	
LB Aggregate Bond Index	-0.1	-0.7	0.1	

PHILOSOPHY AND PROCESS

- Loomis, Sayles' fixed income philosophy is rooted in identifying undervalued securities through in-house credit research. Its philosophy emphasizes identifying issuers whose credit ratings appear likely to be upgraded or downgraded. The fixed income analysts use forward-looking analyses of cash flow, along with source and application of funds, to identify factors that may affect a debt issuer's future credit rating. Loomis, Sayles believes that considerable value can be added by holding under-rated issues for which the firm has projected a credit upgrading.

- Loomis typically allocates up to 40% of its assets to high yield securities and its portfolio's duration is significantly higher than that of the broad bond market. The manager also invests in convertible securities.

- The performance benchmark for the strategy is 60% Lehman Brothers Aggregate Bond Index and 40% Lehman Brothers High Yield Index.

COMMENTARY ON INVESTMENT PERFORMANCE

- Loomis Sayles underperformed the performance benchmark during the second quarter by 0.6 percentage points. The manager's longer duration position of nearly 6.2 years hindered results during the quarter as rates rose. The hardest hit were those securities with durations of seven years or greater. Loomis also held an overweight allocation to corporates, which lost value during the period and hurt relative results. Loomis Sayles' lower rated securities also contributed heavily to the portfolio's relative underperformance. However, some of these losses were offset by the manager's allocation to higher quality securities (43% of the Fund is rated AA or above) which performed well during the quarter.

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter	Year-to-Date	1 Year Ending 6/30/06	3 Years Ending 6/30/06	5 Years Ending 6/30/06	Since Inception	Inception Date
Total Real Estate	3.3%	6.7%	17.2%	14.9%	12.3%	11.4%	3/31/94
Policy Benchmark	4.0	7.5	18.4	15.7	12.0	11.5	
NCREIF Open End Fund Index	4.0	7.5	17.5	15.1	11.4	11.7	
Prudential Real Estate	3.5	7.5	20.3	--	--	11.8	6/30/04
Policy Benchmark	4.0	7.5	18.4	--	--	18.2	
UBS Real Estate	3.2	6.0	14.6	14.7	--	14.3	3/31/03
NCREIF Open End Fund Index	4.0	7.5	17.5	15.1	--	14.6	

- The total real estate portfolio lagged its policy benchmark by 80 basis points as both managers underperformed their benchmarks.

- On June 30, 2006, Guggenheim, a third real estate manager was funded with $25 million.

- Prudential Real Estate assumed control of the INVESCO portfolio in the third quarter of 2004. The portfolio's performance track record began July 1, 2004. Prudential took over the properties that were historically managed by Invesco. Those properties were sold and an investment has been made into Prudential's open-end core real estate fund, PRISA. The returns shown above for Prudential includes the seperate account properties and the investment in the commingled fund, which was initially funded at the end of the first quarter 2005. Beginning January 2006, the return stream for Prudential solely represents the commingled fund as the sale of the remaining separate account property took place in December.

- The Board approved the change of the total real estate policy benchmark from the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (Property Index) to the NCREIF Open-End Fund Property Index (Open Fund Index). Both of these indices are sponsored by the NCREIF, a leading real estate investment management advocacy group. Consistent with the motion approved, the benchmark changed when the funding of a second open-end real estate fund manager (Prudential PRISA Fund) was complete and no separate account properties remained. The new benchmark went into effect in January 2006 and is represented as the Policy Benchmark for the real estate asset class.

PRUDENTIAL

$74.3 Million and 2.8% of Fund

RETURN SUMMARY
ENDING 6/30/06

Second Quarter 2006

	Second Quarter	Year-to-Date	1 Year Ending 6/30/06	Since Inception	Inception Date
Prudential Real Estate	3.5%	7.5%	20.3%	11.8%	6/30/04
Policy Benchmark	4.0	7.5	18.4	18.2	
PRISA Fund I	3.5	7.5	19.8	20.8	3/31/05
NCREIF Open End Fund Index	4.0	7.5	17.5	18.4	

Investment Approach

- PRISA is a core-only product with no value-added component. In addition the manager utilizes low leverage (max 30%) and is diversified across both property types and regions. PRISA has a dedicated team of 15 regional research professionals who work on the portfolio. In constructing the PRISA portfolio, the lead portfolio manager annually develops a forward-looking three-year forecast. The forecast is based on macroeconomic predictions, along with input from the manager's proprietary software systems. The transaction team utilizes this forward-looking forecast in its search for potential properties.

- The real estate fund had 164 properties as of quarter-end. The sector breakdown is as follows: office properties account for 30%, retail 17%, industrial 20%, apartments 19%, self-storage 9%, and hotels 5%.

COMMENTARY ON INVESTMENT PERFORMANCE

- Prudential's PRISA product returned 3.5% during the second quarter, trailing the NCREIF Property Index by 0.5 percentage points. The manager points to declining income in their suburban office segment as a main reason for the underperformance. The decreasing income levels are a result of several large lease expirations totaling approximately 260,000 square feet of office space. All three properties have new leases set to begin in the fourth quarter of this year, which should help bring income levels back to their previous levels.

- The manager sold five investments during the quarter, including a 562,000 square foot office facility, the Anthem Operations Center, in Indianapolis. This sale follows PRISA's current strategy of disposing of single-tenant net leased office properties due to their possible vulnerability during times of rising interest rates. The Fund also disposed of one additional office property, two apartment properties and an industrial warehouse, for total net proceeds of $210.2 million. The Fund acquired a total of seven properties during the quarter, five in the retail sector and two in the residential sector. One investment, a $167.2 million acquisition of a partnership interest in life-style shopping centers in Georgia and Florida, is the beginning of a $363 million partnership with Cousins Properties. The partnership will own and operate all of the properties once they are purchased. In total, the Fund made acquisitions totaling $260.5 million during the quarter.

- There is still a small interest in the Soule Park Golf Course (Approximately $81,000) which was inherited by INVESCO from the legacy portfolio.

- The policy benchmark for the Prudential Real Estate account changed from the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (Property Index) to the NCREIF Open-End Fund Property Index (Open Fund Index) in January 2006.

Second Quarter 2006

RETURN SUMMARY
ENDING 6/30/06

	Second Quarter	Year-to-Date	1 Year Ending 6/30/06	Since Inception	Inception Date
UBS Real Estate	3.2%	6.0%	14.6%	14.3%	3/31/03
NCREIF Open End Fund Index	4.0	7.5	17.5	14.6	
NCREIF NPI	4.0	7.8	18.7	15.2	

PORTFOLIO CHARACTERISTICS

- UBS Realty's Real Estate Separate Account (RESA) investment strategy utilizes broad market and economic trends as well as future forecasts. The real estate portfolio attempts to recognize long-term trends, capitalize on short-term pricing opportunities and minimize risk by diversifying its assets. RESA is a core fund that occasionally purchases new development or redevelopment properties that the manager feels could enhance the portfolio's return.

- The real estate fund had 137 properties as of quarter-end. The sector breakdown is as follows: office properties account for 31%, retail 25%, industrial 9%, apartments 28%, and hotels 7%.

COMMENTARY ON INVESTMENT PERFORMANCE

- RESA experienced gains of 3.2% during the quarter, trailing the NCREIF Property Index by 0.8 percentage points. The main detractors from performance were the Fund's overweight allocations to the Apartment and Retail sectors, both of which trailed the broad Index. As of June 30, the Fund reported gross assets totaling approximately $9.5 billion while employing leverage equal to 11.1% of the Fund's total value. RESA's portfolio currently holds 144 properties. UBS reports that current property type and geographic allocations are in line with long term targets. They will, however, increase their allocation to properties located in the Midwest region as opportunities arise.

- During the second quarter, RESA acquired eleven new investments totaling $942.2 million while assuming an additional $98.1 million in debt. The acquired properties consist of an apartment community, an industrial building, a hotel, and eight office properties. Most of the newly acquired properties are located in the Eastern region of the U.S. The Fund disposed of five properties during the quarter for total net sales of $87.2 million, with an additional mortgage investment of $76.3 million being repaid as well. The investments sold consisted of four office properties and one hotel property.

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RETURNS OF THE MAJOR CAPITAL MARKETS

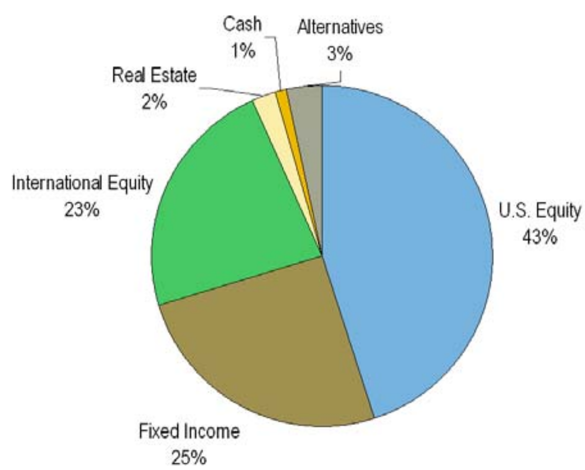
	Second Quarter	Annualized Periods Ending 6/30/06			
		1-Year	3-Year	5-Year	10-Year
Stock Indices:					
DJ Wilshire 5000 Index	-2.0%	9.9%	13.0%	4.0%	8.5%
S&P 500 Index	-1.4	8.6	11.2	2.5	8.3
Russell 3000 Index	-2.0	9.6	12.6	3.5	8.5
Russell 1000 Value Index	0.6	12.1	15.7	6.9	10.8
Russell 1000 Growth Index	-3.9	6.1	8.4	-0.8	5.4
Russell MidCap Value Index	-0.6	14.3	22.1	13.0	13.6
Russell MidCap Growth Index	-4.7	13.0	16.9	4.8	8.5
Russell 2000 Value Index	-2.7	14.6	21.0	13.1	13.3
Russell 2000 Growth Index	-7.3	14.6	16.3	3.5	4.1
Bond Indices:					
Lehman Brothers Aggregate	-0.1%	-0.8%	2.1%	5.0%	6.2%
Lehman Brothers Gov't/Credit	-0.1	-1.5	1.6	5.1	6.3
Lehman Brothers Long-Term Gov't/Credit	-1.5	-6.5	2.1	6.8	7.6
Lehman Brothers Intermed. Gov't/Credit	0.2	-0.2	1.5	4.6	5.8
Lehman Brothers Mortgage-Backed	0.0	0.4	2.9	4.6	6.1
Lehman Brothers 1-3 Yr Gov't	0.7	1.9	1.5	3.2	4.8
Lehman Brothers Universal	-0.1	-0.3	2.7	5.4	6.4
Real Estate Indices:					
NCREIF Open End Fund Index	4.0%	17.5%	15.1%	11.4%	12.4%
DJ Wilshire Real Estate Securities Index	-1.2	21.8	28.4	19.9	15.6
Foreign Indices:					
MSCI All-Country World Ex-U.S. Index	-0.0%	27.9%	25.3%	11.4%	6.8%
MSCI EAFE Index	0.7	26.6	23.9	10.0	6.4
MSCI Emerging Markets Index	-4.3	35.5	34.3	21.2	6.4
MSCI Hedged EAFE Foreign Stock Index	-3.7	25.7	20.4	3.3	7.0
SSB Non-U.S. World Gov't Bond	4.0	-0.0	5.0	9.6	4.9
Citigroup Non-US World Gov't Bond Hedged	0.0	0.3	3.0	4.3	6.7
Cash Equivalents:					
Treasury Bills (30-Day)	0.9%	3.3%	1.9%	1.8%	3.3%
EnnisKnupp STIF Index	1.2	4.3	2.5	2.4	4.0
Inflation Index					
Consumer Price Index	1.6%	4.3%	3.4%	2.7%	2.6%

DESCRIPTION OF BENCHMARKS

- Policy Portfolio- As of June 2005, the return was based on a combination of 47% Russell 3000 Index, 29% Lehman Brothers Aggregate Bond Index, 14% MSCI All Country World Ex-U.S. Index, 4% MSCI All Country World Index and 6% NCREIF Real Estate Index. Prior to June 2005, the return was based on a combination of 49% Russell 3000 Index, 29% Lehman Brothers Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 6% NCREIF Real Estate Index. Prior to April 2003, the return was based on a combination of 49% Russell 3000 Index, 32% Lehman Brothers Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 3% NCREIF Real Estate Index. Prior to May 2002 the return was based on a combination of 49% Russell 3000 Index, 32% Lehman Brothers Aggregate Bond Index, 16% MSCI EAFE Index and 3% NCREIF Real Estate Index. Prior to April 2002 the return was based on a combination of 53% Russell 3000 Index, 32% Lehman Brothers Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index and 3% NCREIF Real Estate Index. Prior to October 2001, the policy portfolio consisted of a combination of 53% Russell 3000, 22% Lehman Brothers Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index, 3% NCREIF Real Estate Index, and 10% Solomon Brothers World Government Bond Index Hedged. Historically, the policy return is based on the historic policy allocations provided by the VCERA staff.

- Public Fund Universe- An equal-weighted index that is designed to represent the average return earned by U.S. public funds. The index is calculated based on data provided by Mellon Analytical Solutions, and includes 58 funds with an aggregate market value of $657.8 billion.

Russell/Mellon Aggregate Public Fund as of 6/30/2006



DESCRIPTION OF BENCHMARKS (Continued)

- Russell 3000 Stock Index- A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

- S&P 500 Stock Index- A capitalization-weighted index representing the 500 largest publicly traded U.S. stocks.

- Russell 1000 Value Stock Index - An index that measures the performance of those stocks included in the Russell 1000 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

- Russell 2000 Stock Index - A capitalization-weighted index of the 2000 smallest stocks in the Russell 3000 Index. This index excludes the largest-and smallest-capitalization issues in the domestic stick market.

- Russell 2000 Value Stock Index- A capitalization-weighted index representing those companies within the Russell 2000 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

- Russell 2000 Growth Stock Index- A capitalization-weighted index representing those companies within the Russell 2000 Index with higher price-to-book ratios and higher I/B/E/S earnings growth forecasts.

- MSCI Europe, Australasia, Far East (EAFE) Foreign Stock Index- A capitalization-weighted index of 20 stock markets in Europe, Australia, Asia and the Far East.

- MSCI All-Country World Index - An index of major world stock markets, including the U.S., representing countries according to their approximate share of world market capitalization. The weights are adjusted to reflect foreign currency fluctuations relative to the U.S. dollar.

- Lehman Brothers Aggregate Bond Index- A market value-weighted index consisting of the Lehman Brothers Corporate, Government and Mortgage-Backed Indices. This index is the broadest available measure of the aggregate U.S. fixed income market.

- NCREIF Property Index- A capitalization-weighted index of privately owned investment grade income-producing properties representing approximately $67 billion in assets.

DESCRIPTION OF TERMS

- **Rank-** A representation of the percentile position of the performance of a given portfolio, relative to a universe of similar funds. For example, a rank of 25 for a given manager indicates outperformance by that manager of 75% of other funds in that same universe.

- **Universe-** A distribution of the returns achieved by a group of funds with similar investment objectives.

- **U.S. Stock Universe-** The rankings are based on a universe that is designed to represent the average equityreturn earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions, and includes 472 funds with an equity aggregate market value of $612.5 billion.

- **Non-U.S. Equity Universe-** The rankings are based on a universe that is designed to represent the average international equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions,and includes 429 funds with an international equity aggregate market value of $306.2 billion.

- **Global Equity Universe-** The rankings are based on a universe that is designed to represent the average globalequity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions, and includes 54 funds with a global equity aggregate market value of $93.2 billion.

- **Fixed Income Universe-** The rankings are based on a universe that is designed to represent the average fixedincome return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions, and includes 462 funds with a fixed income aggregate market value of $340.1 billion.

- **Ratio of Cumulative Wealth Graph-** An illustration of a portfolio's cumulative, unannualized performance relative to that of its benchmark. An upward sloping line indicates superior fund performance. Conversely, a downward sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

- **Risk-Return Graph-** The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As most investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the fraph is the most attractive place to be. The line on this exhibit represents the risk and return tradeoffs associated with market portfolios or index funds.

- **Style Map-** This illustration represents the manager's style compared to that of the broadest stock index (the Wilshire 5000). Any manager falling above the axis is referred to as large-cap and any manager falling below the axis is considered to be medium- to small-cap.

Manager	Restrictions	In Compliance as of 6/30/06
BGI	-Portfolio is a commingled fund.	N/A
BGI	-Portfolio is a commingled fund.	N/A
Delta	-Holdings range from 50 to 110 securities	YES
	-Maximum allocation to one stock is no greater than 5% of the portfolio's value	YES
	-Maximum cash allocation is 10% under normal circumstances	YES
	-Median market capitalization greater than or equal to the S&P 500	YES
	-The portfolio contains no prohibited securities named in the investment guidelines	YES
	-Derivatives are not used to lever the portfolio*	YES
LSV	-Holdings range from 90 to 140 securities	No - 154
	-Maximum allocation to one security is no greater than 3% of the portfolio's value	YES
	-The market capitalization of securities purchased falls between $100 million and $2.5 billion	YES
	-The market capitalization of any one stock can not exceed $4 billion	YES
	-Maximum cash allocation is 3% under normal circumstances	YES
	-The portfolio contains no prohibited securities named in the investment guidelines	YES
	-Derivatives are not used to lever the portfolio*	YES
Wasatch	-Holdings range from 50 to 120 securities	YES
	-Maximum allocation to one security is no greater than 10% of the portfolio's value	YES
	-Maximum cash allocation is 10% with a long-term target maximum of 5%	YES
	-The weighted average market capitalization of the portfolio should not exceed $2.0 billion	YES
	-The portfolio contains no prohibited securities named in the investment guidelines	YES
	-Derivatives are not used to lever the portfolio*	YES
Capital Guardian	-Portfolio is a commingled fund.	N/A
Sprucegrove	-Portfolio is a commingled fund.	N/A
GMO	-Portfolio is a separate account of mutual funds.	N/A
Wellington	-Portfolio is a commingled fund.	N/A
BGI U.S. Debt	-Portfolio is a commingled fund.	N/A
Reams	-Duration may be managed to a maximum 25% deviation relative to the Aggregate Bond Index	YES
	-The total portfolio shall maintain an average quality rating of A	YES
	-A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity	YES
	-A maximum of 15% of the portfolio may be invested in high yield bonds	YES
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer	YES
	-A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities	YES
	-The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity	YES
	-Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio	YES
	-The portfolio contains no prohibited securities named in the investment guidelines	YES
	-Derivatives are not used to lever the portfolio*	YES
Loomis Sayles	-At least 50% of the portfolio must invested in investment grade securities at time of purchase	YES
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer	YES
	-60% of the portfolio must be invested in U.S. domiciled issues	YES
Western	-Duration may be managed to a maximum 20% deviation relative to the Aggregate Bond Index	YES
	-The total portfolio shall maintain an average quality rating of AA	YES
	-A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity at time of purchase	YES
	-A maximum of 10% of the portfolio may be invested in high yield bonds at time of purchase	YES
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer at time of purchase	YES
	-A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities at the time of purchase	YES
	-The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity and bonds not receiving an investment grade rating	YES
	-Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio at the time of purchase	YES
	-The portfolio contains no prohibited securities named in the investment guidelines	YES
	-Derivatives are not used to lever the portfolio*	YES

* Based on affirmative statement from manager

An update on each of the violations can be found in the manager's quarterly writeup found earlier in this report.

INVESTMENT MANAGEMENT FEES

	Fee in Basis Points	Liquidity	Investment Vehicle
Delta	23	Daily	Separate Acct.
BGI Equity Index Fund	2	Daily	Commingled Fund
BGI Extended Market Fund	4	Daily	Commingled Fund
LSV	64	Daily	Separate Acct.
Wasatch	79	Daily	Separate Acct.
Capital Guardian	46	Monthly	Commingled Fund
Sprucegrove	41	Monthly	Commingled Fund
GMO	66	Daily	Commingled Fund
Wellington	74	Monthly	Commingled Fund
BGI U.S. Debt Fund	6	Daily	Commingled Fund
Reams	18	Daily	Separate Acct.
Western	24	Daily	Separate Acct.
Loomis Sayles	40	Daily	Separate Acct.
Prudential	100	Quarterly	Commingled Fund
UBS Realty	90	Monthly	Commingled Fund
Total Fund	26	--	--

Manager "Watch" Status Policy

A manager may be placed on "Watch" status for:

- Failure to meet one or more of the standards, objectives, goals, or risk controls as set forth in this policy statement
- Violation of ethical, legal, or regulatory standards
- Material adverse change in the ownership of the firm or personnel changes
- Failure to meet reporting or disclosure requirements
- Failure to meet performance objectives or goals
- Any actual or potentially adverse information, trends, or developments that the Board feels might impair the investment manager's ability to deliver successful outcomes for the participants of the plan

- The Board may take action to place a manager on Watch status. Managers placed on Watch status shall be notified in writing, and be made aware of the reason for the action and the required remediation. Watch status is an optional interim step that may be used to formally communicate dissatisfaction to the investment manager and the potential for termination. Watch status is not a required step in terminating a manager. Watch status will normally be for a period of six months, but the time frame may be determined by action of the Board. The Board retains the right to terminate the manager at any time, extend the period of the Watch status, or remove the manager from Watch status at any time.

- Watch status indicates that the manager shall be subject to increased focus on the remediation of the factors that caused the manager to be placed on Watch status. Discussion of the manager on Watch status shall become a regular monthly reporting agenda item for the Board. Staff or retained Consultant shall prepare a written monthly report addressing the progress of the manager in the remediation of the dissatisfaction.

- Currently, Capital Guardian is on watch for performance reasons.

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Uniform Application for Investment Adviser Registration

Name of Investment Adviser: Ennis, Knupp & Associates, Inc.		
Address: (Number and Street) 10 S. Riverside Plaza, Suite 1600	(City) (State) (Zip Code) Chicago, IL 60606	Area Code: 312 Telephone Number: 715-1700

This part of Form ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any governmental authority.

Table of Contents

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Applicant:	SEC File Number: 801-	Date:

1. A. Advisory Services and Fees. (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- ☐ (1) Provides investment supervisory services .... ____%
- ☐ (2) Manages investment advisory accounts not involving investment supervisory services .... ____%
- X (3) Furnishes investment advice through consultations not included in either service described above .... 100 %
- ☐ (4) Issues periodicals about securities by subscription .... ____%
- ☐ (5) Issues special reports about securities not included in any service described above .... ____%
- ☐ (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities .... ____%
- X (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities .... 100 %
- ☐ (8) Provides a timing service .... ____%
- ☐ (9) Furnishes advice about securities in any manner not described above .... ____%

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

NOTE: Ennis, Knupp & Associates, Inc. does not have discretionary control over funds held by our clients, nor do we advise our clients at the security level.

B. Does applicant call any of the services it checked above financial planning or some similar term? .... Yes ☐ No X

C. Applicant offers investment advisory services for: (check all that apply)

- ☐ (1) A percentage of assets under management
- X (2) Hourly charges
- X (3) Fixed fees (not including subscription fees)
- ☐ (4) Subscription fees
- ☐ (5) Commissions
- X (6) Other

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of clients — Applicant generally provides investment advice to: (check those that apply)

- X A. Individuals
- ☐ B. Banks or thrift institutions
- ☐ C. Investment companies
- X D. Pension and profit sharing plans
- X E. Trusts, estates, or charitable organizations
- X F. Corporations or business entities other than those listed above
- ☐ G. Other (describe on Schedule F)

Applicant:	SEC File Number: 801-	Date:

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

A. Equity securities
- ☐ (1) exchange-listed securities
- ☐ (2) securities traded over-the-counter
- ☐ (3) foreign issuers

☐ B. Warrants

☐ C. Corporate debt securities (other than commercial paper)

☐ D. Commercial paper

☐ E. Certificates of deposit

☐ F. Municipal securities

G. Investment company securities
- ☐ (1) variable life insurance
- ☐ (2) variable annuities
- ☐ (3) mutual fund shares

☐ H. United States government securities

I. Options contracts on:
- ☐ (1) securities
- ☐ (2) commodities

J. Futures contracts on:
- ☐ (1) tangibles
- ☐ (2) intangibles

K. Interests in partnerships investing in:
- ☐ (1) real estate
- ☐ (2) oil and gas interests
- ☐ (3) other (explain on Schedule F)

☐ L. Other (explain on Schedule F)

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

(1) ☐ Charting
(2) ☐ Fundamental
(3) ☐ Technical
(4) ☐ Cyclical
(5) ☐ Other (explain on Schedule F)

B. The main sources of information applicant uses include: (check those that apply)

(1) ☐ Financial newspapers and magazines
(2) ☐ Inspections of corporate activities
(3) ☐ Research materials prepared by others
(4) ☐ Corporate rating services
(5) ☐ Timing services
(6) ☐ Annual reports, prospectuses, filings with the Securities and Exchange Commission
(7) ☐ Company press releases
(8) ☐ Other (explain on Schedule F)

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

(1) ☐ Long term purchases (securities held at least a year)
(2) ☐ Short term purchases (securities sold within a year)
(3) ☐ Trading (securities sold within 30 days)
(4) ☐ Short sales
(5) ☐ Margin transactions
(6) ☐ Option writing, including covered options, uncovered options, or spreading strategies
(7) ☐ Other (explain on Schedule F)

Applicant:	SEC File Number: 801-	Date:

5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? — Yes ☐ No X

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- year of birth
- formal education after high school
- business background for the preceding five years

7. Other Business Activities. (check those that apply)

X A. Applicant is actively engaged in a business other than giving investment advice.

X B. Applicant sells products or services other than investment advice to clients.

X C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.

☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.

C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

☐ (1) broker-dealer
☐ (2) investment company
☐ (3) other investment adviser
☐ (4) financial planning firm
☐ (5) commodity pool operator, commodity trading adviser or futures commission merchant
☐ (6) banking or thrift institution
☐ (7) accounting firm
☐ (8) law firm
☐ (9) insurance company or agency
☐ (10) pension consultant
☐ (11) real estate broker or dealer
☐ (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? — Yes ☐ No X

(If yes, describe on Schedule F the partnerships and what they invest in.)

9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☐ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

10. Conditions for Managing Accounts. Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? .... Yes ☐ No X

(If yes, describe on Schedule F.)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

A. Describe below the reviews and reviewers of the accounts. For reviews, include their frequency, different levels, and triggering factors. For reviewers, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Not applicable

B. Describe below the nature and frequency of regular reports to clients on their accounts.

12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

		Yes	No
(1)	securities to be bought or sold?	☐	X
(2)	amount of the securities to be bought or sold?	☐	X
(3)	broker or dealer to be used?	☐	X
(4)	commission rates paid?	☐	X

B. Does applicant or a related person suggest brokers to clients? Yes ☐ No X

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? Yes ☐ No X

B. directly or indirectly compensates any person for client referrals? Yes ☐ No X

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than $500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? Yes ☐ No X

Applicant:	SEC File Number: 801-	Date:

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Ennis, Knupp & Associates, Inc.	IRS Empl. Ident. No.: 36-3109431

Item of Form (identify)	Answer
1, 7	Ennis, Knupp & Associates, Inc. (EnnisKnupp) is an independent consulting firm providing professional services to tax-exempt funds. The firm provides conflict-free advice to clients on many matters related to their investment program and operations including: ▪ Investment Policy Planning and Asset Allocation ▪ Manager Structure and Selection ▪ Performance Review and Manager Monitoring ▪ Client and Fiduciary Education ▪ Board/Committee Governance ▪ Fiduciary Audits and Operational Reviews ▪ Strategic Planning EnnisKnupp's related services include defined contribution services, master trustee/custodian evaluation, and asset transition services. The firm also has considerable experience in formulating spending and investment policies for endowments, and we provide expert witness testimony in fiduciary litigation. Investment Policy Planning and Asset Allocation Help clients define and control risk for their specific requirements, diversify their assets, develop investment objectives and a statement of investment policy, meet their cash flow needs efficiently, and provide appropriate instructions to their investment managers. Make recommendations regarding an appropriate allocation of assets among various investment managers and manager types in all asset classes based on a proprietary risk model that defines individual manager and overall style and risk characteristics. Manager Structure and Selection Periodically review the number and types of managers and funds regarding efficiency, costs, and management oversight. Assist in the screening, interviewing and selection of manager candidates that meet the needs of the client. Assist in the preparation of written manager guidelines and performance objectives. Performance Review and Manager Monitoring Conduct ongoing discussions with client investment managers, focusing on investment performance and organizational issues such as changes in ownership, retention of professional staff, fee changes, new products, etc. As a result of this monitoring, communicate with clients regarding any important developments and any recommendations for changes in assignments when appropriate. Evaluation of all managers in the context of their guidelines and objectives, and specifically comment on factors affecting performance. Prepare written performance reports, tailoring them to suit client preferences for time periods, types of comparisons, level of detail, etc. Non-Discretionary Private Equity and Real Estate Consulting Services Provide recommendations and modeling of portfolio construction, pace, and strategy. Ongoing comprehensive performance reporting and portfolio analysis, including diversification analyses, as well as comments, analysis, and recommendations on specific managers. Provide manager selection and ongoing monitoring for both private equity fund-of-funds and single partnerships, as well as real estate funds including open-ended, REITS, limited partnerships, and separately managed accounts. Provide ongoing education and current issues commentary. Client and Fiduciary Education Prepare written reports that provide background information, alternatives and recommendations on a given issue, and the rationale underlying the recommendations. Prepare special research or educational materials on topics to discuss with staff or committees. Provide fiduciary training to boards and committees and discuss current issues facing peers. Host a client conference covering a variety of investment-related topics. Conduct quarterly in-house education sessions in our office. Board/Committee Governance Assist in the development of governance manuals, policies, procedures, and monitoring methods to assist with oversight responsibilities and reporting structure. Fiduciary Audits and Operational Reviews Review major systems and assess their effectiveness and appropriateness and provide recommendations for improvement. The systems include: investment portfolio objectives, asset allocation, and policy; investment operations and the processes in place; Board oversight, policies, and principles; and organization, staffing structure, and policies. Create a report to reflect findings and recommendations for delivery to the governing body. Strategic Planning Assist in the design of strategic plans and development of mission statements and core values as well as reasonable and achievable goals and objectives. Assist in implementation and evaluation of the success of the plans.

Applicant:	SEC File Number:	Date:
	801-	

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:	IRS Empl. Ident. No.:
Ennis, Knupp & Associates, Inc.	36-3109431

Item of Form (identify)	Answer
1, 7 (cont'd)	Some of the services described are rendered on a project basis (e.g. policy consulting, manager selection and governance). Additional services provided on a project basis include: ▪ Conducting Investment Program Review ▪ Providing Defined Contribution Plan Services ▪ Advising Clients on Custodian Selection ▪ Reviewing Manager Agreements ▪ Overseeing Asset Transfers at Client Direction EnnisKnupp has no affiliations with brokerage, custodial, investment management, investment banking firms, or any other service providers to our clients, nor do we sell information or services to these entities and therefore has no implicit or explicit conflicts of interest. Fees Fees for the foregoing services are negotiated in advance and vary depending on a number of factors, including the complexity of the assignment, number of plans, number of investment managers, frequency of meetings and reports, etc. For ongoing retainer relationships, annual fees are billed on a quarterly basis in advance and generally range from $50,000 to $300,000 per year or more. Retainer fees may be adjusted during the year for changes in services rendered or when services are terminated. Fees for project work are based on the particular project and are negotiated on a fixed-fee or hourly-rate basis. Hourly-rate projects are billed monthly based on the number of hours worked. Fixed fees are based on the complexity of the project and determined with the client in advance. Fixed fees generally range from $20,000 to $60,000 or more and are billed in installments at the beginning and end of the project.
6	Stephen T. Cummings, CFA, Principal, Director, and President and Chief Executive Officer; 1963 University of Texas, BS, 1985 University of Chicago, MBA, 1989 Ennis, Knupp & Associates, Inc., 1989 to 1997, 2000 to present Russell K. Ivinjack, Principal; 1970 Northern Illinois University, BS, 1991 DePaul University, MBA, 1996 Ennis, Knupp & Associates, Inc., 1994 to present Gregory J. Pritz, CPA, Principal and Chief Operating Officer; 1957 DePaul University, BSC, 1980 Northwestern University, MM, 1995 Ennis, Knupp & Associates, Inc., 2001 to present Michael D. Sebastian, Principal; 1973 University of Illinois, BS, 1994 University of Illinois, MS, 1996 Ennis, Knupp & Associates, Inc., 1997 to present Steven A. Voss, Principal; 1970 Seattle University, BA, 1992 Ennis, Knupp & Associates, Inc., 1994 to 1999, 1999 to present